

## NuStar to merge

**NuStar and emerging Canadian gold and silver miner, Intrepid Minerals Corporation, have agreed to merge, creating a new dual-listed intermediate producer with an international portfolio of attractive precious metals assets.**

The combined company will have high grade resources approaching one million gold equivalent ounces and an expanded portfolio of advanced exploration projects providing strong future growth potential.

Group production is projected to double to 160,000 gold equivalent ounces per annum with development of the high grade Kamila open pit at the Casposo project in San Juan Province, Argentina, during 2007.

It is proposed that NuStar will acquire all of the shares in Intrepid via a Canadian Plan of Arrangement. Under the terms of a Heads of Agreement dated 12 December 2005, NuStar proposes to implement a one for twelve share consolidation prior to issuing Intrepid shareholders with one post-consolidation NuStar share for each Intrepid share held.

NuStar will subsequently apply for dual listing on the Toronto Stock Exchange and change its name to Intrepid Mines Limited.

Based on the closing price for NuStar shares on 9 December 2005, the transaction values Intrepid at \$37 million (CDN\$32 million). NuStar shareholders will hold approximately 63 percent of the merged entity. The four largest shareholders, based on current holdings, would be Sedimentary Holdings (Melbourne), Mathews Capital (Sydney), SG Hiscock (Melbourne) and Sprott Asset Management (Toronto).

The transaction is conditional on completion of confirmatory due diligence, the execution of a definitive merger agreement and shareholder and regulatory approvals.

**The merger brings together the project development and operating experience of NuStar with Intrepid's strong exploration capabilities to create a management team well credentialed to extract maximum value from the combined assets of the group.**

  
**Colin G. Jackson**  
Chairman

  
**Brett Lambert**  
Chief Executive Officer

13 December 2005

## ASX SHAREHOLDERS REPORT

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## **Merger Benefits**

The merger with Intrepid will see NuStar shareholders participating in the near term development of a second high grade gold mine. In addition, Intrepid's substantial portfolio of advanced exploration prospects provides a pipeline of future growth opportunities. NuStar will also benefit by a broadening of its shareholder base and direct access to the North American equity market.

The combination with NuStar will elevate Intrepid to producer status and accordingly provide scope for a market re-rating. NuStar's successful track record in project development and mining operations will assist in obtaining the required approvals and funding for the development of Casposo.

The skill sets of the two companies are highly complementary. The combination of NuStar's project development and operations management skills with Intrepid's depth of expertise in mineral exploration will create a strong management team well equipped to further develop and grow the company.

## **Implementation of the Merger**

A Heads of Agreement executed by NuStar and Intrepid on 12 December 2005 defines the commercial terms and transaction structure for the proposed merger. Subject to the satisfactory completion of due diligence by both companies, a definitive merger agreement will be executed.

It is proposed that NuStar will implement a one for twelve share consolidation prior to the completion of a Canadian Plan of Arrangement whereby NuStar will acquire all of the shares in Intrepid. Under the terms of the Plan of Arrangement, Intrepid shareholders will receive one post consolidation NuStar share for each Intrepid share held. Intrepid options and warrants will be exchanged for options and warrants in NuStar in the same number and with the same exercise price.

Existing NuStar options would be consolidated on the same ratio as ordinary shares and exercise prices will be amended accordingly.

The proposed exchange ratio for the merger is based on the ratio of the long term market prices for NuStar and Intrepid shares and no allowance was made for a premium to be delivered to either party.

NuStar will apply to have its shares listed on the Toronto Stock Exchange simultaneously with the delisting of Intrepid shares. NuStar will remain listed on the Australian Stock Exchange.

NuStar will seek shareholder approval to change its name to Intrepid Mines Limited and will seek the approval of NuStar shareholders to implement the 1:12 share consolidation.

Upon execution of the definitive merger agreement the transaction will remain subject to certain conditions including:

- Intrepid shareholders approving the Plan of Arrangement in accordance with Canadian legislation
- Canadian court approval of the Plan of Arrangement in accordance with Canadian legislation
- The Toronto Stock Exchange approving the listing of NuStar (to be renamed Intrepid Mines Limited) shares

The definitive merger agreement will also contain terms and conditions customary and appropriate for the structure of the merger. NuStar and Intrepid have undertaken to not solicit any competing offer or proposal from any third party during the term of the Heads of Agreement and it is intended that the definitive merger agreement will contain similar terms. These commitments are subject to various exceptions including legal and fiduciary obligations.

Both companies have agreed to pay the other a break fee of C\$250,000 in certain circumstances if the merger does not proceed including in the event that a competing business transaction has been proposed to its shareholders (and has either been accepted or remains eligible for acceptance at the time of its shareholder meeting) and its shareholders subsequently do not approve the transaction or if its board amends its recommendation to shareholders in relation to the transaction in a manner adverse to the other company.

The indicative timetable for the implementation of the transaction is:

- Complete due diligence: end of January 2006
- Definitive merger agreement: end of January 2006
- Shareholder meetings: mid March 2006
- Intrepid Mines Ltd lists on TSX: end of March 2006
- Completion: end of March 2006

### **About Intrepid**

Intrepid Minerals Corporation is a Toronto Stock Exchange listed company (code "IAU") focused on gold and silver exploration in South and Central America. The company's primary assets consist of a series of advanced exploration projects in San Juan Province, Argentina. The company is also actively exploring for gold and silver in El Salvador and in joint venture with BHP Billiton on Baffin Island, Canada.

The wholly owned Casposo project in Argentina is the most advanced prospect. Casposo hosts an extensive epithermal gold/silver system. A Definitive Feasibility Study is currently being conducted into the development of an open pit mine on the Kamila Zone, one of several mineralized structures identified at Casposo.

Indicated and inferred resources at Casposo currently stand at 2.3 million tonnes grading 4.44 g/t gold and 120.1 g/t silver for a total of 480,000 gold equivalent ounces based on a conversion rate of 60 ounces of silver to one ounce of gold. Ninety percent of resource ounces are classified as Indicated.

An optimized pit shell produced during the preparation of a scoping study captured 1.7 million tonnes of the resource, grading 5.46 g/t gold and 123.0 g/t silver on an undiluted basis for a total of 406,000 gold equivalent ounces.

Production is targeted to commence in 2007. Based on the scoping study, annual production will average 65,000 ounces of gold and 1,000,000 ounces of silver. Forecast precious metals production is equivalent to 80,000 ounces of gold per annum over five years, based on a conversion rate of 60 ounces of silver to one ounce of gold.

The scoping study estimated capital costs to be US\$40.6 million, including owner mining fleet and an 18 percent contingency. Average cash costs were estimated at US\$115 per ounce of gold after silver credits.

The Kamila Zone of the Casposo deposit remains open at depth. Exploration is ongoing, with depth extension drilling at Kamila currently underway and drilling of the promising Julieta Zone scheduled to commence later in the month.

Paradigm Capital Inc of Toronto are acting as advisors to Intrepid for the transaction.

Intrepid has 49,344,552 shares outstanding.

## About NuStar

NuStar is the 100 percent owner and operator of the Paulsens Gold Mine, located in the Ashburton Region of Western Australia. Paulsens is a high grade underground mine with a nameplate capacity of 250,000 tonnes per annum. Gold production commenced in June 2005 and is forecast to average 80,000 ounces per annum over an initial five year mine life.

The Company is actively exploring a substantial regional tenement portfolio within trucking distance of the Paulsens operations.

## The Merged Entity

NuStar and Intrepid shareholders will hold 62.6 percent and 37.4 percent respectively of the combined company which is expected to have 131.9 million shares on issue at completion, subject to any prior issue of shares by NuStar or Intrepid or the exercise on any NuStar options or Intrepid options or warrants.

Based on current shareholdings, major shareholders of the merged entity will include:

• Sedimentary Holdings (Melbourne)	11.3%
• Mathews Capital (Sydney)	6.6%
• SG Hiscock (Melbourne)	6.0%
• Sprott AM (Toronto)	3.7%
• Richard Palmer (Sydney)	3.7%
• Investors Mutual (Sydney)	3.5%
• Fidelity (Boston)	3.3%

The merged entity, Intrepid Mines Limited, will have its registered office in Perth, Western Australia and its head corporate office in Toronto. It will have an initial board of eight with equal representation from NuStar and Intrepid. Both companies have committed to consider a reduction in the number of directors once the merger has been fully implemented.

The Intrepid Mines Limited board will be chaired by NuStar Chairman, Colin Jackson. The executive management team will comprise:

- President and Chief Executive Officer:
  - Laurence Curtis, currently President and CEO of Intrepid
- Executive Director and Chief Operating Officer:
  - Brett Lambert, currently CEO of NuStar
- Chief Financial Officer:
  - Derek Humphry, currently CFO and Company Secretary for NuStar
- Vice President Exploration:
  - Bill McGuinty, currently VP Exploration for Intrepid

**About Argentina**

Argentina has a substantial, but underdeveloped mineral endowment providing significant opportunities for exploration and mine development. The country has a stable government with long established mining laws, secure land tenure and well defined project approval processes.

Economic reforms early in the current decade have provided the foundation for a strong economy with a cost base substantially lower than in Australia.

Argentina, in particular San Juan Province where Intrepid's activities are centered, has an established mining culture and good availability of skilled personnel. A number of international companies, both juniors and majors, already successfully operate within the province.

**Resource estimates**

In this announcement, resource estimates for Paulsens comply with recommendations in the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared in 1999 by the Joint Ore Reserves Committee (JORC). The Resource estimates were prepared by Mr Paul Payne, a Principal Consultant with Resource Evaluations Pty Ltd, a Competent Person as defined by the Code. It has been released with his consent.

Resource estimates for Casposo have been estimated in accordance with National Instrument 43-101 of the Canadian Securities Administrators. Eugene Puritch, P.Eng. of P&E Mining Consultants Inc. is Intrepid's independent Qualified Person for the Casposo Project.

**Forward-looking statements**

This announcement contains certain forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the company's ability to control or predict, which could cause actual events or results to differ materially from those anticipated in such forward-looking statements. In this announcement, estimates of future production levels and costs and predictions about the transaction being finalized are forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements.