Intrepid Mines Limited

(formerly NuStar Mining Corporation Limited)

ABN 11 060 156 452

Interim unaudited financial report

for the quarter ended September 30, 2006

Expressed in United States dollars unless otherwise stated

Interim unaudited consolidated financial statements

for the quarter ended September 30, 2006

Intrepid Mines Limited and its controlled entities

Note to readers of the interim unaudited consolidated financial statements

Management of Intrepid Mines Limited is responsible for and has prepared the accompanying interim unaudited consolidated financial statements. The interim unaudited consolidated financial statements have been presented in United States dollars and in accordance with Australian equivalents to International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgement. These interim unaudited consolidated financial statements are considered by management to present fairly the financial position, operating results and cash flows of the company.

These interim unaudited consolidated financial statements have not been reviewed by an auditor and are unaudited. They include all material adjustments, consisting of normal and recurring items, that management considers necessary for fair presentation of the consolidated financial position, results of operations and cash flows.

Laurence Curtis
President

Derek Humphry
Chief Financial Officer

Directors' report

Your directors present their report on the Consolidated entity consisting of Intrepid Mines Limited ('Company' or 'Intrepid') and the entities it controlled during the quarter ended September 30, 2006.

DIRECTORS

The following persons were directors of Intrepid Mines Limited during the whole of the quarter ending September 30, 2006 and up to the date of this report (unless otherwise stated):

Colin G. Jackson (Chairman)	Appointed December 2003
Laurence W. Curtis (Executive)	Appointed July 2006
David D. Davidson (Non executive)	Appointed July 2006
John J. den Dryver (Non executive)	Appointed December 2003
Kevin A. Dundo (Non executive)	Appointed April 2002
Brett T. Lambert (Executive)	Appointed July 2006
David V. Mosher (Non executive)	Appointed July 2006

Ian J. McDonald joined the Intrepid Mines Limited Board on completion of the merger in July 2006. Mr McDonald was a non-executive director from July 4, 2006 until his resignation on September 14, 2006.

Trevor J. Ireland was a non-executive director from December 23, 2003 until his resignation on July 4, 2006.

DIVIDENDS

The directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS

The September 2006 quarter consolidated loss after tax attributable to members of the Company was $2,193,000 (September 2005 quarter: $1,727,000 loss).

Comments on the operations and the results of those operations are presented in the Management's Discussion and Analysis for the quarter ended September 30, 2006.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Colin G. Jackson
Chairman

Adelaide, Australia
October 31, 2006

Expressed in United States dollars unless otherwise stated Page 3 of 17

Interim unaudited consolidated income statements

for the quarter ended September 30, 2006

Intrepid Mines Limited and its controlled entities

	Three months ended September 30	
	2006	**2005**
	$'000	**$'000**
Revenue from continuing operations		
Gold and silver sales	8,145	7,783
Other revenues from ordinary activities	120	12
	8,265	**7,795**
Expenses		
Cost of gold and silver sold – excluding depreciation and amortisation	6,437	6,351
Cost of gold and silver sold – depreciation and amortisation	1,941	2,123
Exploration and evaluation expenditure	957	214
General and administration expenses		
- General	664	282
- Option value expense	27	2
Borrowing costs	398	550
Foreign exchange loss	34	-
Loss before income tax expense	**(2,193)**	**(1,727)**
Income tax expense	-	-
Loss attributable to members of the Company	**(2,193)**	**(1,727)**
Number of common shares (calculated including Intrepid NuStar Exchange Corporation listed shares in 2006 and on a consolidated basis for 2005)		
Basic weighted average outstanding during period	149,117,646	82,493,803
Diluted weighted average outstanding during period	162,024,304	83,265,316
	Cents	**Cents**
Net loss per share – Basic	(1.5)	(2.1)
Net loss per share – Diluted	(1.4)	(2.1)

The above interim unaudited consolidated income statements should be read in conjunction with the accompanying notes.

Interim unaudited consolidated balance sheets

as at September 30, 2006

Intrepid Mines Limited and its controlled entities

	Notes	September 30, 2006 $'000	June 30, 2006 $'000
Assets			
Current assets			
Cash and cash equivalents	5	6,093	6,827
Receivables		1,345	2,064
Inventories		2,282	2,107
Other financial assets		325	-
Total current assets		10,045	10,998
Non-current assets			
Plant and equipment	7	11,537	11,883
Mining properties	8	86,522	15,946
Deferred tax asset		-	6,536
Other		523	456
Total non-current assets		98,582	34,821
Total assets		**108,627**	**45,819**
Liabilities			
Current liabilities			
Payables		5,571	4,295
Interest bearing liabilities	9	7,966	8,156
Provisions		462	359
Financial instruments	10	7,704	7,828
Total current liabilities		21,703	20,638
Non-current liabilities			
Interest bearing liabilities	9	9,378	11,130
Provisions		349	361
Financial instruments	10	10,138	12,618
Deferred tax liability		14,994	-
Total non-current liabilities		34,859	24,109
Total liabilities		**56,562**	**44,747**
Net assets		**52,065**	**1,072**
Equity			
Contributed equity	14	95,724	46,677
Reserves (including financial instruments)		(9,822)	(13,730)
(Accumulated losses)		(33,885)	(31,692)
Cumulative translation adjustments	16	48	(183)
Total equity		**52,065**	**1,072**

The above interim unaudited consolidated balance sheets should be read in conjunction with the accompanying notes.

Interim unaudited consolidated statements of changes in equity as at September 30, 2006

Intrepid Mines Limited and its controlled entities

	Three months ended	
	September 30, 2006 $'000	**June 30, 2006 $'000**
Total equity at the beginning of the period	**1,072**	**(3,634)**
Cash flow hedges (net of tax)	1,997	2,398
Exchange differences on translation to presentation currency	231	(243)
Net income recognised directly in equity	2,228	2,155
Profit / (loss) for the period	(2,193)	2,334
Total recognised income/(expense) in reserves and accumulated losses for the quarter	35	4,489
Transactions with equity holders in their capacity as equity holders:		
Employee share options	27	36
Contributions of equity, net of transaction costs	37	83
Securities issued to effect merger (including translation)	50,894	-
Deferred tax asset associated with share issue expenses	-	98
	50,958	217
Total equity at the end of the period	**52,065**	**1,072**

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

Interim unaudited consolidated cash flow statements

for the quarter ended September 30, 2006

Intrepid Mines Limited and its controlled entities

	Note	Three months ended September 30 2006 $'000	Three months ended September 30 2005 $'000
Cash flows from operating activities			
Proceeds from gold and silver sales		8,979	8,690
Payments to suppliers and employees		(7,857)	(5,697)
Interest received		120	12
Borrowing costs		(267)	(102)
Net cash inflow from operating activities	4	**975**	**2,903**
Cash flows from investing activities			
Payments for development of mine properties		(2,718)	(1,734)
Payments for property, plant and equipment		(312)	(830)
Cash acquired on Merger, net of transaction costs		3,520	-
Net cash inflow/(outflow) from investing activities		**490**	**(2,564)**
Cash flows from financing activities			
Repayment of borrowings		(2,247)	(164)
Net proceeds from issue of shares (net of costs)		42	-
Net cash outflow from financing activities		**(2,205)**	**(164)**
Effect of exchange rate on cash and cash equivalents		**6**	**(2)**
Net (decrease)/increase in cash held		**(734)**	**173**
Cash at beginning of period		6,827	692
Cash at end of the reporting period		**6,093**	**865**

The above interim unaudited consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to interim unaudited consolidated financial statements
for the quarter ended September 30, 2006
Intrepid Mines Limited and its controlled entities

Note 1 – Basis of preparation of interim quarter report

This general purpose financial report for the interim quarter reporting period ended September 30, 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* 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 June 30, 2006 and any public announcements made by Intrepid Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year except the presentation currency adopted for this interim report is United States dollars. The presentation currency utilised in the annual report for the year ended June 30, 2006 was Australian dollars.

(a) Presentation currency

The Company has its registered office in Australia and its primary cash generating operation is the Paulsens Gold Mine in Australia and consequently the Company's functional currency is Australian dollars. Prior to the merger the Company presented its reports in Australian dollars. The merger with Intrepid Minerals Corporation has expanded the Consolidated entity to include operations in Argentina, Canada, and El Salvador. Intrepid Minerals Corporation's (IMC) functional currency is Canadian dollars and IMC prepared its reports using Canadian dollars. As a result of the merger the Company has assumed an international profile with a precious metals focus (where the industry standard for pricing of precious metals is United States dollars). Consequently effective July 4, 2006 the Company has adopted United States dollars as its presentation currency. The adoption of the new presentation currency has required restatement of comparative data from June 30, 2005 (see Note 2).

(b) Working capital

At September 30, 2006 the entity's current liabilities exceeded its current assets by $11,658,000, consisting of total current assets of $10,045,000 less total current liabilities of $21,703,000. This arises as a direct result of the accounting requirement to record $7,704,000 financial instruments and the quarterly debt repayment schedule inherent in the project finance facility to fund the development of the Company's Paulsens project. The total current liabilities balance at September 30, 2006 includes project finance of $7,171,000 which will be funded from the Company's operating cash flow to be generated over the twelve month period from October 1, 2006 to September 30, 2007. In addition there is an undrawn revolving credit facility of A$3,000,000.

Note 2 – Foreign currency translation

The financial statements are translated from functional currency (Australian dollars A$) into a presentation currency (United States dollars US$) using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the quarter end (A$ to US$ exchange rate used was $0.7473 at September 30, 2006, $0.7397 at June 30, 2006) while revenue and expense items are translated at the average exchange rates prevailing during the quarter (A$ to US$ exchange rate used was $0.7576 at September 30, 2006, $0.7603 at September 30, 2005). Exchange gains and losses from the translation are deferred and recorded as cumulative translation adjustments in shareholders equity until realised.

Note 3 – Segment information

The Consolidated entity operates predominantly in the gold mining, development and exploration operating segment within the following geographical segments:

Argentina

The Company conducts exploration and evaluation of the Kamila gold/silver project, along with regional exploration programs focussed in the San Juan province.

Australia

The Company maintains a registered office and operates the Paulsens Gold mine, along with regional exploration programs focussed in the Ashburton region of Western Australia.

Canada

The Company maintains a corporate office in Toronto and conducts regional exploration programs from time to time in Canada.

El Salvador

The Company conducts exploration on several advanced projects in El Salvador.

Notes to interim unaudited consolidated financial statements
for the quarter ended September 30, 2006
Intrepid Mines Limited and its controlled entities

Primary reporting – geographical segments

	Segment revenues		Segment assets	
	September 30, 2006 $'000	**September 30, 2005 $'000**	**September 30, 2006 $'000**	**June 30, 2006 $'000**
Argentina	-	-	3,475	-
Australia	8,208	7,795	35,912	45,819
Canada	57	-	2,628	-
El Salvador	-	-	79	-
Future Exploration Potential – Unallocated assets	-	-	66,533	-
Total revenues/assets	**8,265**	**7,795**	**108,627**	**45,819**

Segment revenues are allocated based on the country where the revenue is earned. Segment assets are allocated based on where the assets are located.

	Three months ended September 30	
	2006 $'000	**2005 $'000**
Note 4 – Reconciliation of loss after income tax to Net Cash Inflow from Operating Activities		
Operating loss after income tax	(2,193)	(1,727)
Depreciation and amortisation	1,941	2,123
Amortisation of borrowing costs	47	47
Non-cash option value expense	27	2
Other	9	16
Changes in operating assets and liabilities		
Decrease in trade debtors and receivables	689	960
(Increase)/decrease in inventories	(136)	577
Increase in trade creditors and accruals	503	809
Increase in other provisions	84	96
Increase in other operating liabilities	4	-
Net cash inflow from operating activities	**975**	**2,903**

Note 5 – Cash held for future exploration

Prior to the merger, Intrepid Minerals Corporation had raised funds by way of a private placement for flow through shares. At September 30, 2006 there was C$203,426 cash on hand for future flow through exploration activities. Under the conditions of the private placement, the funds must be spent by the end of calendar year 2006 on properties located in Canada.

Note 6 – Business combination

On July 4, 2006 the Consolidated entity acquired all of the issued securities of Intrepid Minerals Corporation, a Canadian gold and silver explorer with areas of interest in Argentina, El Salvador and which was listed on the Toronto Stock Exchange.

The purchase consideration for all the issued securities of Intrepid Minerals Corporation was 27,604,328 Intrepid Mines Limited ordinary shares, plus 3,800,000 unlisted Intrepid Mines Limited options, plus 31,458,608 Exchangeable shares and 3,918,750 warrants from the Company's wholly owned Canadian subsidiary Intrepid NuStar Exchange Corporation where the exchangeable shares are exchangeable into Intrepid Mines Limited ordinary shares.
The issued securities were valued using the trading price at the close of business immediately before the Company's general meeting on June 26, 2006 after which time the Company's shares entered deferred settlement and thinly traded until the transaction was completed on July 4, 2006. The value of IMC options and warrants assumed as a result of the merger were assessed using a Black-Scholes option pricing model that takes into account the exercise price, the remaining term of the options or warrants, the share price used for the transaction and expected price volatility of the underlying share and the risk free rate for the term of the option.

The model inputs for this consideration included:

(a) expected price volatility 45%

(b) risk-free interest rate 5.75%.

Details of net assets acquired are as follows:

	Fair value $'000	Acquiree's carrying amount $'000
Cash and cash equivalents	4,524	4,524
Receivables	270	270
Other financial assets	233	233
Plant and equipment	48	48
Exploration and mine properties	69,068	2,869
Payables	(1,810)	(1,810)
Deferred tax liability	(20,649)	-
Net assets acquired	51,684	6,134

Notes to interim unaudited consolidated financial statements
for the quarter ended September 30, 2006
Intrepid Mines Limited and its controlled entities

	September 30, 2006 $'000	June 30, 2006 $'000
Note 7 – Plant and Equipment		
Non-current		
Opening balance at beginning of quarter	11,883	11,930
Acquired via merger	48	-
Additions	162	205
Depreciation	(685)	(831)
Exchange differences	129	579
Closing balance at end of quarter	11,537	11,883
Note 8 – Mining properties		
Non-current		
Opening balance at beginning of quarter	15,946	14,963
Acquired via merger	69,068	-
Additions	2,290	2,180
Amortisation of Mine Properties	(1,293)	(1,913)
Exchange differences	511	716
Closing balance at end of quarter	86,522	15,946
The balance of Mining Properties consists of the following:		
Mine Development (Paulsens)	16,500	15,946
Exploration and Development (Casposo)	3,417	-
Exploration Properties (El Salvador)	72	-
Future Exploration Potential (unallocated)	66,533	-
Closing balance at end of quarter	86,522	15,946

Notes to interim unaudited consolidated financial statements
for the quarter ended September 30, 2006
Intrepid Mines Limited and its controlled entities

	September 30, 2006 $'000	June 30, 2006 $'000
Note 9 – Interest bearing liabilities		
Current		
Project finance facility (1)	7,171	7,024
Hire purchase arrangements (2)	795	1,132
	7,966	8,156
Non-current		
Project finance facility (1)	8,370	9,986
Hire purchase arrangements (2)	1,008	1,144
	9,378	11,130

(1) In November 2004, the Company secured a finance facility with Westpac for up to A$33.3 million. A$27.3 million had been drawn on the primary project finance facility with scheduled repayments completed reducing the outstanding balance. The A$3.0 million capital overrun facility was unused and subsequently cancelled. The remaining A$3.0 million revolving credit facility was undrawn at September 30, 2006. The facilities are secured by a first ranking fixed and floating charge over all of the assets and undertakings of the Company.

(2) No new hire purchase arrangements were entered into during the quarter. Each hire purchase is secured against the underlying hire purchase of equipment. ESS Compass Group (Australia) Pty Ltd and the Company have an arrangement whereby ESS Compass has supplied the Paulsens Gold Mine camp and office buildings as well as ongoing camp services. The arrangement includes the requirement for the Company to pay a residual payment at the end of the term to acquire the buildings.
This has been treated as a hire purchase and is secured by a security bond provided by Westpac.

	September 30, 2006 $'000	June 30, 2006 $'000
Note 10 – Financial Instruments		
Current liabilities		
Forward Australian dollar gold sales contracts		
Cash flow hedges	7,761	7,885
Interest rates swap contracts – cash flow hedges	(57)	(57)
Total current financial instrument liabilities	7,704	7,828
Non-current liabilities		
Forward Australian dollar gold sales contracts – cash flow hedges	10,138	12,618
Total non-current financial instrument liabilities	10,138	12,618
	17,842	20,446

Financial Instruments - Interest Rate Swap Program

At September 30, 2006, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	September 30, 2006 A$000	June 30, 2006 A$000
Less than 1 year	9,200	9,600
1 - 2 years	3,700	6,200
2 - 3 years	-	-
	12,900	15,800

The mark to market value of the swap contracts at September 30, 2006 was a gain of $57,000 (compared to a gain of $57,000 at June 30, 2006).

Financial Instruments - Gold Hedging Program

Gold hedges represent approximately 56% of the September 30, 2006 remaining gold reserves, and will be delivered over the period to December 2008.

The contracts are timed to mature monthly to be matched to monthly forecast future gold sales. A summary of outstanding contracts is provided below:

Maturity

Forward sales	Ounces	A$/ounce
2006/07	38,884	A$627
2007/08	46,792	A$627
2008/09	22,448	A$627
Total contracts	**108,124**	**A$627**

The mark to market value of the forward gold hedge contracts at September 30, 2006 was an unrealised loss of $17,899,000 (unrealised loss of $20,503,000 at June 30, 2006).

Note 11 – Related Parties

A director, Mr Davidson, is a Director of Paradigm Capital Inc. Paradigm Capital was involved in the facilitation of the merger between Intrepid Minerals Corporation and the Company. Upon the successful completion of the merger, in accordance with the terms of the engagement a success fee of C$977,202, representing 1.25% of the capitalised value of the merged entity, was paid to Paradigm Capital. There were no outstanding fees at September 30, 2006.

A director, Mr Dundo, is a partner of Q Legal, a law firm that has provided legal services to the Company on normal commercial terms. During the quarter ended September 30, 2006 the Company incurred $57,317 (Sep 2005 qtr: $6,781) of legal costs from Q Legal.

Ms Kathleen Skerrett, the joint Corporate Secretary of Intrepid Minerals Corporation is an Associate at Gardner-Roberts LLP, a law firm that has provided legal services to the Consolidated entity on normal commercial terms. During the quarter ended September 30, 2006 the Company incurred $12,291of legal costs from Gardner-Roberts LLP.

Note 12 – Commitments and Contingencies

There have been no material changes to contingent liabilities disclosed since the Annual Report for the year ended June 30, 2006 other than as a result of the merger which are:

The merger with Intrepid Minerals Corporation increases the Company's exploration interests and commitments. In the ordinary course of the exploration activities, Intrepid Minerals Corporation has entered into agreements to acquire mineral properties for the purpose of exploration. The financial commitment of these arrangements is generally composed of cash and/or work commitments over stipulated periods of time. The financial terms of the agreements are typically structured to allow additional expenditures, in future periods, upon successful achievement of exploration results. Termination clauses in these agreements generally provide that Intrepid Minerals Corporation can be released from its obligations once the initial cash and/or work commitments have been satisfied. Minimum commitments amount to $500,000.

In November 2005, the Company (through its subsidiary Intrepid Minerals Corporation) engaged AMEC Peru S.A. to complete a Feasibility study for its Casposo (Argentina) project. The study is expected to be completed in the current financial year with a remaining commitment of approximately $0.835 million.

The Company has a contractual commitment to pay advance royalties in the amount of $150,000 annually, to the former owners of the Kamila property (Casposo project) until the sooner of a maximum of $450,000 is paid or the property attains commercial production. To date the Company has paid the first $150,000 and the second payment must be made no later than June 30, 2007. These advance royalties will be deducted from future production royalty obligations.

Note 13 – Events occurring after the balance sheet date

The Company made its fourth scheduled principal debt repayment of A$2.4 million to Westpac on October 3, 2006.

Other than the above, there has not arisen in the interval between the end of the quarter on September 30, 2006 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated entity, the results of those operations, or the state of affairs of the Consolidated entity, in future financial years.

Note 14 – Ordinary share capital

Movements in ordinary share capital:		**Number of shares**	**$'000**
2006			
June 30	Opening balance	90,923,806	46,677
July 4	Issue of Company shares to effect merger	27,604,328	22,903
July 4	INEC Exchangeable shares to effect merger (1)	-	26,106
July 17	Exercise of employee options	25,000	21
August 7	Exercise of employee options	20,834	10
August 21	Share issue fees for Exchangeable shares retraction	8,000	(1)
September 18	Share issue fees for Exchangeable shares retraction	445,721	(2)
September 30	Exercise of employee options	16,667	10
September 30	Ordinary shares on issue	119,044,356	95,724

(1) Exchangeable shares note

The merger consideration for all the issued securities of Intrepid Minerals Corporation was 27,604,328 Intrepid Mines Limited ordinary shares, plus 3,800,000 unlisted Intrepid Mines Limited options, plus 31,458,608 Exchangeable shares and 3,918,750 warrants from the Company's wholly owned Canadian subsidiary Intrepid NuStar Exchange Corporation ("INEC") where the exchangeable shares are exchangeable into Intrepid Mines Limited ordinary shares. The issued securities were valued using the trading price at the close of business immediately before the Company's general meeting on June 26, 2006 after which time the Company's shares entered deferred settlement and were thinly traded until the transaction was completed on July 4, 2006. The value of options and warrants required for consideration were assessed using a Black-Scholes option pricing model that takes into account the exercise price, the remaining term of the options or warrants, the share price used for the transaction and expected price volatility of the underlying share and the risk-free rate for the term of the option.

Note 15 – Unlisted securities

Movements in unlisted securities:

2006		**Number of options Company**	**Number of warrants INEC**
June 30	Opening balance	5,483,343	-
July 4	Options issued by IML to effect merger	3,800,000	-
July 4	Warrants issued by INEC to effect merger	-	3,918,750
July 17	Exercise of employee options	(25,000)	-
August 7	Exercise of employee options	(20,834)	-
September 18	Employee options issued (vesting over twelve months)	843,000	-
September 19	Employee options cancelled	(16,667)	-
September 30	Exercise of employee options	(16,667)	-
September 30	Closing balance	10,047,175	3,918,750

Position with the Company	**Ordinary Shares under Option**	**Exercise Price**	**Expiry Date**
Directors (7 persons)	1,621,667	C$0.19 to C$0.93	Dec 31, 2006 to May 18, 2010
Officers (4 persons)	763,334	C$0.53 to C$0.93	Feb 13, 2008 to Sept 12, 2011
Other employees	1,822,174	C$0.63 to C$0.93	Sept 15, 2008 to Oct 1, 2011
Consultants	1,715,000	C$0.19 to C$0.93	Dec 31, 2006 to Sept 12, 2011
Total	5,922,175 (1)		

(1) excludes 4,125,000 financing options issued prior to June 30, 2006

	September 30, 2006 \$'000	**June 30, 2006 \$'000**
Note 16 – Cumulative translation adjustments		
Opening balance at beginning of quarter	(183)	60
Unrealised foreign exchange (gain)/loss on translation	231	(243)
Closing balance at end of quarter	**48**	**(183)**

Changes in net assets result in increases and decreases in the translation adjustments depending on the movement of the currencies where the related changes occur. During the quarter ended September 30, 2006, there was an appreciation of the Australian dollar compared to the US dollar from \$0.7397 to \$0.7473, and an appreciation of the Canadian dollar, from the date of the merger, compared to the US dollar from \$0.8992 to \$0.9003.

Notes to interim unaudited consolidated financial statements
for the quarter ended September 30, 2006
Intrepid Mines Limited and its controlled entities

Note 17 - Canadian Generally Accepted Accounting Principles

The September 30, 2006 financial statements have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). The financial statements are in United States dollars.

The reporting principles applied in the financial statements have been reviewed and the Company considers that the AIFRS basis of preparation of the September 30, 2006 interim unaudited financial statements are in all material respects the same as Canadian generally accepted accounting principles other than as noted below:

Under AIFRS the merger purchase consideration was based on the opening share trading price of the Company's listed securities at June 26, 2006 which was A$1.116 (on a post 12:1 consolidation basis). Under Canadian GAAP accepted practice is to adopt the weighted average share trading price for the five days immediately preceding the merger announcement which was December 13, 2005. The share price for this period on a consolidated 12:1 basis was A$0.734. This methodology would reduce the reported Future Exploration Potential asset by $26,674,000, reduce the Deferred tax liabilities relating to future exploration potential by $7,931,000, and reduce the value assigned to Contributed equity by $18,743,000.

In applying Canadian generally accepted accounting principles the Company would have early adopted the requirements of the Canadian Institute of Chartered Accountants ('CICA') Handbook Sections 3855 'Financial Instruments - Recognition and Measurement', 3865 'Hedges' and 1530 'Comprehensive Income'.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 3 to 17 are in accordance with the *Corporations Act 2001* including:

 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

 (ii) giving a true and fair view of the Consolidated entity's financial position as at September 30, 2006 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the period ended on that date; and

(b) there are reasonable grounds to believe that the Company 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.

Laurence Curtis
Director

Toronto, Canada
October 31, 2006