



Intrepid Mines Limited

INTREPID MINES LIMITED

4 June 2010

Dear fellow shareholder

Paulsens – Gold production recommences and sale process update

The Paulsen's 330,000 tonne per annum processing plant was recommissioned and continuous production commenced ahead of schedule, on 31 May 2010.

Under the Intrepid remaining life mine plan, based on resource estimates as of February 2010, slightly in excess of 145,000 tonnes of development and stope ore (average grade 9.33g/t and 95% recovery) plus residual low grade ore is forecast to be milled to produce approx. 43,000 ounces of gold. The forecast ore grade compares with the March 2010 quarter average grade of 5.8 g/t, the life-of-mine average grade of 7.6g/t and the current 21,785 tonne stockpile estimated grade of 10.45 g/t.

Exploration, comprising the final surface wedge holes and underground resource drilling, totalling 5,858 metres since February 2010, has generally supported earlier orebody interpretations.

By now, you should have received the Notice of Meeting for a shareholder meeting on the 28 June 2010, to approve or otherwise, the sale of Paulsens. At the time of the sale agreement, the Company's cash flow projections forecast a positive cash flow of A\$25 million over the remaining life of the mine. Additionally the Company could benefit from a potential plant salvage value (estimated at A\$2.0 to 2.7 million), partially offsetting rehabilitation, demobilisation and redundancy costs which are likely to exceed A\$4 million. The cash flow forecast was based on a gold price of A\$1,200 per ounce which compares with the March 2010 quarter average received price of A\$1,239 per ounce.

Under the sale agreement, Intrepid will receive A\$15 million immediately upon completion of the transaction, which will occur once shareholder approval has been obtained and other conditions precedent have been fulfilled. The



Company will receive a further payment based on gold production such that if the Intrepid remaining mine plan eventuates as forecast, then the Company would receive a total of A\$23.6 million with the potential of receiving up to a further A\$3.4 million depending upon production in excess of forecast.



On the day of the Paulsen's sale announcement, 6 May 2010, the gold price was US\$1,185 per ounce. Since that date, the spot gold price has traded up to a market close of US\$1,240 per ounce. More significantly, however, is the weakening Australian dollar such that at the time of writing the Australian dollar gold price is over A\$1,400 per ounce. As identified in the Notice of Meeting, a 10 percent change in Australian dollar gold price changes the cash flow by 21 percent. Therefore, if the current A\$ gold price were to prevail for the balance of the operating mine life, then the Intrepid mine plan would deliver an additional A\$9.7 million over and above the A\$25 million forecast, all things going to plan. However, your Directors are mindful of the significant volatility in US\$ gold price and A\$ / US\$ exchange rate, and production risks associated with fluctuations in grade and recovery.

Since the date of the Paulsens sale announcement the Intrepid share price has advanced from A\$0.38 and traded in a range up to A\$0.62. As at today, the share price closed at A\$0.565, a 47 percent increase against an unchanged gold index. The increase in Company market capitalisation is A\$78 million.

The increase in the share price followed the announcement of the Paulsens sale, an increasing appreciation of the Tujuh Bukit deposit and a recent announcement of a further encouraging result - an intersection of 568 metres at 0.60 g/t gold, 0.49% copper and 105 ppm molybdenum. The growing significance of the Tujuh Bukit porphyry deposit reinforces the benefit of fully focusing Intrepid's management team on maximising the value of this asset.

Having reviewed all circumstances today and notwithstanding the current increase in the Australian dollar gold price, and hence the potential for a Paulsens cash flow in excess of the sale consideration, your Directors continue to recommend that shareholders support the resolution to sell the Paulsens gold mine on the terms set out in the Notice of Meeting, as previously agreed.

Yours faithfully

Colin G Jackson
Chairman

FOR MORE INFORMATION

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Forward-looking statements

This announcement contains certain forward-looking statements, relating to, but not limited to Intrepid's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as 'anticipate', 'believe', 'expect', 'goal', 'plan', 'intend', 'estimate', 'may' and 'will' or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future outcomes, or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects, and timing of commencement of operations and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied.

Shareholders and potential investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Intrepid undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Statements relating to gold resource estimates are expressions of judgment, based on knowledge and experience and may require revision based on actual production experience. Such estimates are necessarily imprecise and depend to some extent on statistical inferences and other assumptions, such as gold prices, cut-off grades and operating costs, which may prove to be inaccurate.

Qualified Person

The information in this announcement that relates to exploration results at Tujuh Bukit is based on information compiled by or under the supervision of Malcolm Norris, who is a full-time employee of Intrepid Mines Limited. Mr. Norris has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and a Qualified Person as defined in the Canadian National Instrument 43-101 (standards of Disclosure for Mineral Projects). Mr. Norris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results at Paulsens is based on information compiled by or under the supervision of Brook Ekers, (Member AIG), who is a full-time employee of Intrepid Mines Limited. Mr Ekers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and is a Qualified Person as defined in the Canadian National Instrument 43-101 (standards of Disclosure for Mineral Projects). Brook Ekers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Sample Analysis

Intrepid exercises a strict chain of sample custody in its drilling program at Tujuh Bukit. Joint Venture personnel remove core from the drill rig and deliver it to a project geologist who logs the core and marks the core into two metre sample intervals. Intrepid and Joint Venture personnel supervise the immediate splitting, sawing and bagging of samples, and packaging of groups of samples for dispatch to the laboratory. The remainder of the split core remains on site.

Samples are securely packaged, batched, and then transported under supervision to Intertek's laboratory facility in Jakarta. At the laboratory, the samples are prepared by crushing and pulverizing and a 30 gram charge is assayed for gold by conventional fire assay and/or atomic absorption methods. Multi-element ICP analysis is carried out using a multi-acid digestion process. All samples that contain silver and/or copper, lead, and zinc values that exceed the upper detection limits for ICP are re-analysed by conventional atomic absorption methods to determine the absolute values of these metals.