



Mintails Limited

Quarterly Report For The 3 Months Ended 31st December 2006

Highlights

- Successful conclusion of the Skeat Gold Mining (SGM) Merger
- Construction of Stage 1 of new WERGO – West Rand Gold Operations commenced
- Drilling completed on 66 million tonne slime dump as part of process to increase JORC resource
- Completion of sand and water pipeline infrastructure upgrades
- Completion and commissioning of new wash-bay facility
- Granting of new-order prospecting right in respect of 170 million tonnes of slimes
- Commencement of transitional initiatives to fast-track the deliverables of the SGM Merger
- Gold production for the quarter of 3085 ounces achieved. South Africa wide electricity shortages and shutdown for refurbishment and upgrade during vacation period has reduced expected gold output. Gold production figures do not include a contribution from Skeat Mining Group.

West Rand Gold Project

In the 2006 Annual Report, Mintails reported that it executed binding Heads of Agreement to conclude a Merger with a South African-based gold mining entity. Early completion of the required Due Diligence processes and positive early market response, indicating a successful outcome of the Merger, focused operations of this quarter to not only complete objectives set in accordance with the 2006 Business Plan, but also triggered a focus to commence initiatives to optimize the time-lines towards implementing the anticipated SGM Merger synergies.

In terms of completing the original objectives for the quarter, Mogale Gold Mine completed the upgrades of the sand and slime pipelines as documented in the 2006 Annual Report. These were viewed as important steps for Mogale Gold Mine to reach its goals for the 2006/2007 production year. Completion of the water pipeline significantly increased Mogale Gold Mine's ability to treat acid mine-drainage water, and operations in this quarter also benefited from the associated cost savings of no longer having to rely on sourcing water from the bulk utility provider. Completion of the sand pipeline increased Mogale Gold Mine's ability to sustain production of its sand-circuit operation.

+ See chapter 19 for defined terms.

Included in the upgrade initiative was the successful construction and commissioning of a “wash-bay” facility which introduced additional production capacity, and which is capable of operating independently from Mogale Gold Mine’s piping infrastructure.

The combined operation of the upgraded piping and wash-bay infrastructure which occurred, for a material part of the quarter under review, satisfied Management that the critical milestones for improved production previously established were achieved.

The second part of this quarter saw a shift in operational focus to incorporate the infrastructure upgrade achieved, into the repositioning of Mogale Gold Mine for the commencement of initiatives and objectives, foreseen by the SGM Merger. The effect of the SGM Merger has seen Mogale Gold Mine entering the second phase of its original business plan, namely, to construct and operate a tailings processing plant capable of processing 1.4 million tonnes of tailings per month. For the duration of December, a month including the holiday season, Mogale Gold Mine undertook plant modifications and upgrades that interrupted production. While these plant modifications and upgrades will extend into the first quarter of 2007, it will also form part of the first implementation steps to realize the Merger objectives, which will eventually see the construction of the Phase 2 plant and associated infrastructure.

Post merger the board has authorised the commencement of feasibility as the first stage of construction of a new gold processing plant on the West Rand. As a result of the availability of existing infrastructure emanating from the acquisition of SGM (including the East Dagga and Brakpan Gold Plants) this construction is possible over a shorter time frame and a substantially reduced cost than otherwise would be achievable.

It is expected that this new facility will have the capacity once operational to produce, at Stage 1 120,000 ounces of gold per annum.

The outcome of operations of this quarter saw a total gold production of 3085 ounces and leaves Mogale Gold Mine well positioned to benefit from the flexible production capacity created by the wash-bay, and which will see Mogale Gold Mine continue to benefit from the completed sand and water pipeline, to be incorporated in the execution of the business plan for 2007. Gold production for the quarter did not contain a contribution from SGM as the merger was only legally constituted at the end of the calendar year. Contributions from the SGM heap leach operation will be included in figures for the March 2007 quarter.

South Africa has suffered sporadic shutdowns of the supply of electricity as part of a country- wide shortage of generated power. The Mintails plant at Mogale has, along with others, been affected. Mogale secures a part of its electricity from an authorized serviced provider of the national electricity utility, through a local sub-station. As a result of an equipment failure on the sub-station the operations at Mogale have been interrupted affecting a part of the production circuit. This is being immediately remedied with intervention by the company to restore higher production levels by early next week.

Corporate

The SGM Merger became effective on 15 December 2006. The effect of the SGM Merger on the Corporate Structure is fully detailed in the Information Memorandum that was circulated, and is available on the Mintails website (www.mintails.com/images/docs/394671.pdf).

The integration of SGM with the operations of Mintails, is expected to realize the following synergetic benefits:

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- The implementation of Phase 2 of the West Rand Gold Project to create a substantially-increased production capacity on the West Rand Goldfields, will now partly be achieved through the redeployment of the SGM plant known as East Dagga Plant and Brakpan Plant. These plants constituted the ERGO Plants on the East Rand Goldfields, having historically processed 890 million tonnes of slime tailings and saw the recovery in excess of 8.2 million ounces of gold.
- The immediately increase in production will also diversify the revenue-base of Mintails through the operations of a heap-leaching gold recovery operation, known as HVH Gold, operating on the East Rand Goldfields.
- The immediate access to the experience and expertise of SGM's personnel which comprises specialized heap-leaching gold recovery specialization. In addition, in the longer term, the Mintails operation will also benefit from the use of SGM's earth-moving equipment in the development and construction of a large deposition dam on the West Rand Goldfields and rehabilitation initiatives following the removal of sand and slime dumps from their existing locations.
- Secure access to land and equipment assets surplus to the needs of the combined operations which will be available in the longer term for realization.

A further highlight of this quarter was the granting of a new-order Prospecting Right to DRDPL, a subsidiary company of Mintails SA. This Right applies in respect of approximately 170 million tonnes of tailings material, which includes 60 millions tonnes of tailings material in the JORC measured category, comprising a significant component of the resource of 305 million tonnes of Mintails SA. This Prospecting Right ensures exclusive right to convert to a Mining Right in respect of the relevant tailings material that Mintails, following a resource evaluation programme in terms of its prospecting programme, elects to bring into production.

Not only does the granting of the Prospecting Right to DRDPL constitute a significant event in the progress of Mintails SA's execution of its long-term business plan, but it also secures the implementation of a milestone in its overall BEE strategy. Acorn Gold Mining PL constitutes a 26% shareholding in DRDPL and through the granting of the Prospecting Right, by inference, DRDPL is now also a BEE compliant entity accredited by the Department of Minerals & Energy. Mintails has achieved this development on pure commercial terms and the Group is now well position to meet its remaining BEE compliance considerations.

Moving Forward

With the successful completion of the SGM Merger, Mintails now looks forward to the implementation of a three-year strategy that will culminate in the commissioning of the Phase 2 tailings processing plant and operations on the West Rand Goldfields. Immediate future plans will focus on the design and commencement of the construction of this facility incorporating the partial relocation of the Brakpan and East Dagga Plants.

Management will also have a concurrent focus on cash generation. This will be achieved by optimizing the two existing operational facilities, namely, Mogale Gold Mine and HVH Gold, and to implement initiatives to optimize cashflow opportunities in respect of its existing sand and other resources.

Mintails is in discussion with various interested parties to leverage the benefits of its plant capacity comprising East Dagga and Brakpan Plants, and discussions are also directed to extract optimal value from the existing Rights applicable to its West Rand Goldfield operations.

+ See chapter 19 for defined terms.

Mintails will continue to develop these initiatives aimed at further consolidation of opportunities on the East Rand and West Rand Goldfields.

For And On Behalf Of The Board

Dick van der Walt
CEO

Note: Information in respect of Mintails Limited's existing tailings materials and JORC resources are contained in the prospectus dated 2 December 2005 which contains an Independent Technical Report by Lobisol Pty (Ltd) dated 30 November 2005. Lobisol Pty (Ltd) has relied on the estimates and classification of the mineral resources in terms of the JORC Code set out in a report and resource statement by Snowden Mining Industry Consultants (Pty) Ltd dated 20 October 2005.

Appendix 5B – 2nd Quarter

Mining Exploration Entity Quarterly Report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of Entity:

MINTAILS LIMITED

ABN:

45 008 740 672

Quarter Ended ('Current Quarter')

31st December 2006

Consolidated Statement of Cash Flows

	Current Quarter \$A'000	Year to Date (6 months) \$A'000
<u>Cash Flows Related to Operating Activities</u>		
1.1 Receipts from product sales and related debtors	2,679	5,506
1.2 Payments for: (a) exploration and evaluation	-	-
(b) development	(1,164)	(1,164)
(c) production	(2,879)	(8,278)
(d) administration	(548)	(1,331)
(e) contract services	(313)	(585)
(f) staff costs	(253)	(374)
(g) other working capital	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	103	194
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(2,375)	(6,032)
<u>Cash Flows Related to Investing Activities</u>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	(1,356)
(c) other fixed assets	(337)	(721)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	14	14
(c) other fixed assets	-	-
1.10 Loans to other entities	(100)	(692)
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	(424)
Net Investing Cash Flows	(423)	(3,179)
1.13 Total Operating and Investing Cash Flows	(2,798)	(9,211)

+ See chapter 19 for defined terms.

		Current Quarter \$A'000	Year to Date (6 months) \$A'000
1.13	Total Operating and Investing Cash Flows (Carried Forward)	(2,798)	(9,211)
Cash Flows Related to Financing Activities			
1.14	Proceeds from issues of shares, options, etc.	49,928	60,352
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(2,877)	(3,530)
Net Financing Cash Flows		47,051	56,822
Net Increase / (Decrease) in Cash Held		42,253	47,611
1.20	Cash at beginning of quarter/year to date	8,808	5,450
1.21	Exchange rate adjustments to item 1.20	(184)	(184)
1.22	Cash at End of Quarter	52,877	52,877

Payments to Directors of the Entity and Associates of the Directors
Payments to Related Entities of the Entity and Associates of the Related Entities

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	262
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
Salaries, directors' fees, corporate advisory & consulting fees at normal commercial rates		

Non-Cash Financing and Investing Activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing Facilities Available

Add notes as necessary for an understanding of the position.

	Amount Available \$A'000	Amount Used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated Cash Outflows for Next Quarter

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	40,000
Total:	42,000

Reconciliation of Cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	6,985	3,232
5.2 Deposits at call	45,892	5,576
5.3 Bank overdraft		-
5.4 Other (provide details)		-
Total: Cash at End of Quarter (item 1.22)	52,877	8,808

Changes in Interests in Mining Tenements

	Tenement Reference	Nature of Interest (note (2))	Interest at Beginning of Quarter	Interest at End of Quarter
6.1	Nil	Interests in mining tenements relinquished, reduced or lapsed		
6.2	Nil	Interests in mining tenements acquired or increased		

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Issued and Quoted Securities at End of Current Quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total Number	Number Quoted	Issue Price Per Security (cents) (see note 3)	Amount Paid Up Per Security (cents) (see note 3)
7.1	Preference +Securities <i>(Description)</i>	-	-	-	-
7.2	Changes During Quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions	-	-	-	-
7.3	+Ordinary Securities	392,120,985	365,520,985	-	-
7.4	Changes during quarter (a) Increases through issues	167,564,187	-	-	-
	(b) Decreases through returns of capital, buy- backs	-	-	-	-
7.5	+Convertible debt securities <i>(Description)</i>	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>(Description and Conversion Factor)</i>	41,500,000	-	Exercisable at \$0.20 to \$0.50	-
7.8	Issued during quarter	28,500,000	-	Exercisable at \$0.25 to \$0.50	-
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance Statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign Here:



Director

Date: 31st January 2007

Print Name:

Richard Revelins

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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