



Mintails Limited

Quarterly Report For The 3 Months Ended 31st March 2007

Highlights

- New Joint Venture with DRD Gold to exploit underground gold and uranium
- Mogale Gold Plant operations achieving expectations after refurbishment and upgrading
- Uranium potential on existing tailings dumps. Testing and evaluation work underway
- Metallurgical problems encountered at HVH Heap leach expected to be overcome and return to budget.

Operations

During the start of the quarter the company utilised the January holiday period to undertake extensive refurbishment activities at the Mogale Gold plant. Production started to ramp up during February but was restricted due to power shortages which management expect to be remedied over the next 4 weeks. Overall gold production for the quarter was substantially less than anticipated primarily due to minimal contribution from the HVH heap leach.

For the quarter ended 31 March 07 the company produced a total of 3,609 ounces of gold. The Mogale operations processed 290,668 tonnes producing 3250 ounces of Gold. A total of 155,199t producing 359 ounces of Gold was achieved from the HVH heap leach operation. The lower than budgeted production at HVH is the result of a metallurgical lock up issue, as detailed further in the text. HVH production is expected to return to budget with the successful implementation of strategies to overcome the metallurgical lock up and assist leach kinetics.

The HVH heap leach operations on the East Rand encountered metallurgical problems over this quarter believed to be as a consequence of recirculating existing processed water within the leaching cycle. Further pyrite leaching has caused excessive ferrous iron which consumes cyanide and oxygen. The absorption of ferric hydroxide on the particle surfaces has retarded gold dissolution.

The recycling of processed water caused a build up of iron and resulting in lower gold tenor in the pregnant solution. The company has undertaken a number of initiatives, including the introduction of hydrogen peroxide to counteract the high oxygen demand from iron in the solution. The iron hydroxide is subsequently precipitated via newly installed high shear reactor and sand filters.

To compliment the heap leach operation, HVH is also in the process of constructing a high grade, low tonnage CIL plant which will be processing the smaller size fractions from the already leached material from the pad and newly crushed material. The equipment for the new CIL circuit at HVH

+ See chapter 19 for defined terms.

was accessed from the East Dagga and Brakpan operations included in the Skeat acquisition in the previous quarter. This will increase gold recovery and reduce the lockup period experienced with heap leach operations.

HVH will be focusing on increased grit production to the heap leach pad due to the improved leach kinetics of the grit. Accordingly management anticipates gold production and recoveries to return to budget once the current metallurgical challenges are overcome. HVH has also acquired approx. 700k tonnes of high grade grit material, which will be introduced into the heap leach process during the next quarter increasing gold production.

During the quarter the processing operations at Mogale experienced power shortages which is not an uncommon outcome given seasonal storms and the uncertainty of South African electrical infrastructure recovery. An increase in electrical output over the next quarter will add a further 1 megawatt to the current power supply from 2 megawatts to 3 megawatts in July. This allows an increase in capacity at the CAM Dump (sand) from the current target of 100,000 tonnes per month to 150,000 tonnes per month. Including the slime production at 50,000 tonnes and wash bay material at 25,000 tonnes per month, it is expected that production at Mogale should return to the original budgeted 220,000 tonnes per month as soon as the power supply is reinstated to normal levels.

The Mogale Gold Operations (Mogale) operated to budget (based on reduced tonnage due to power supply problems) since the upgrade to the pipelines and tanks undertaken during December and January. Production tonnages, grades and recoveries were close to budget for March / April. The introduction of the new water pipeline to handle treated acid mine water will substantially reduce water costs that have been a significant cost of production. A 2nd Hippo feeder was commissioned at the north face of the CAM Dump also to improve throughput and production.

During the quarter the Company negotiated an insurance settlement with respect to certain electricity and equipment failures at Mogale which resulted in a loss of production. The successful outcome from the insurance claim will see a currently estimated amount of ZAR 22 million received progressively over the next quarter.

New Initiatives

Joint Venture With DRD Gold

As announced on 26 April 07 Mintails SA reached agreement subsequent to the end of the quarter with DRD SA (a wholly owned subsidiary of DRD Gold Limited) and Mineral and Mining Reclamation Services ("MMRS") to form a joint venture company to explore, evaluate and potentially mine gold and uranium by open cast and underground mining methods from their collective interests on the West Rand.

The joint venture company will be initially owned 45% by DRD SA and Mintails SA respectively with 10% held by MMRS. It is proposed that the new entity will raise a minimum of AUD 7 million through an initial public listing and seek admission to the Australian Stock Exchange. It is proposed to subsequently seek a dual listing on the Johannesburg Stock Exchange.

Historical gold production on these leases exceeds 30 million ounces and 17,000 tons U3O8. Gold and Uranium commodity prices during the 20th century saw the closure and reopening of mines and changes in the commodity mining focus between gold and uranium (i.e. 1950's to 1970's).

The consolidated entities objective for the first two years is to aggressively delineate Au and U3O8 resource/reserves, progress into advanced stages of commissioning or commenced mining on the

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leases. All activities conducted on the West Rand Goldfield project will be of a world class standard and utilise modern mining techniques.

West Rand Gold Operation [WERGO]

During the quarter the company completed all necessary ground clearances for Stage 1 of WERGO. Concrete foundations were poured during April and construction of the Stage 1 WERGO plant is underway. The completion date of October 2008 has been estimated and the company is on line to achieve this expectation. Once commissioned and operational Stage 1 of WERGO is expected to contribute an additional 78,000 ounces of gold per annum. Further modular increases are planned building up over time to 300,000 ozs Au per annum by 2011.

Uranium Potential

As a separate initiative to the new open cast and underground Joint Venture discussed above, Mintails has been drilling and sampling some of its existing tailings dumps to ascertain whether they may contain potentially commercial grades and quantities of uranium. This ore was mined and milled by historical miners in the region as an ancillary product in the recovery of gold. The uranium was not previously processed because of the low prevailing commodity price at the time. Encouraging results to date have prompted Mintails to accelerate the sampling process with the aim of delineating a JORC compliant resource and commencing a mining feasibility study. If the mining feasibility study shows the uranium project to be economic, Mintails has access to the required plant and equipment as a consequence of its ownership of the Brakpan plant (East Rand), currently under utilised and excess to Mintails' present operating plans. If additional drilling can substantiate grades and quantities Mintails may be in a position to deliver a quality uranium product at a low cost level as the mining and milling cost have previously been incurred.

Performance Shares

Pursuant to the Information Memorandum dated 26/10/05 twenty million B class performance shares were allocated to original Seed Capitalists to be converted to ordinary shares once all milestones proposed are achieved. The shares will be distributed upon receipt of accounting confirmation over the next few months.

A further announcement as to when they will be formally distributed will be made at that time.

For And On Behalf Of The Board

Dick van der Walt
CEO

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Appendix 5B – 3rd 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 March, 2007

Consolidated Statement of Cash Flows

| | Current Quarter \$A'000 | Year to Date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| <u>Cash Flows Related to Operating Activities</u> | | |
| 1.1 Receipts from product sales and related debtors | 2,392 | 7,898 |
| 1.2 Payments for: (a) exploration and evaluation | (8) | (8) |
| (b) development | (3,297) | (4,461) |
| (c) production | (3,701) | (11,979) |
| (d) administration | (743) | (2,074) |
| (e) contract services | (212) | (797) |
| (f) staff costs | (864) | (1,238) |
| (g) other working capital | (88) | (88) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 278 | 472 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | (131) | (131) |
| Net Operating Cash Flows | (6,374) | (12,406) |
| <u>Cash Flows Related to Investing Activities</u> | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | (73) | (1,429) |
| (c) other fixed assets | (8,721) | (9,442) |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | 14 |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | (2,224) |
| 1.11 Loans repaid to other entities | - | - |
| 1.12a Other – Acquisition of Subsidiary | (14,976) | (14,976) |
| 1.12b Other (provide details if material) | - | (424) |
| Net Investing Cash Flows | (23,770) | (28,481) |
| 1.13 Total Operating and Investing Cash Flows | (30,144) | (40,887) |

+ See chapter 19 for defined terms.

| | | Current Quarter \$A'000 | Year to Date (9 months) \$A'000 |
|--|---|----------------------------|---------------------------------------|
| 1.13 | Total Operating and Investing Cash Flows (Carried Forward) | (30,144) | (40,887) |
| <u>Cash Flows Related to Financing Activities</u> | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 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) | (1,846) | (5,376) |
| Net Financing Cash Flows | | (1,846) | (54,976) |
| Net Increase / (Decrease) in Cash Held | | (31,990) | 14,089 |
| 1.20 | Cash at beginning of quarter/year to date | 51,345 | 5,450 |
| 1.21 | Exchange rate adjustments to item 1.20 | (1,520) | (1,704) |
| 1.22 | Cash at End of Quarter | 17,835 | 17,835 |

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 | 106 |
| 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
- | |
|---|
| - |
|---|
- 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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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 | - |
| 4.2 Development | 2,210 |
| Total: | 2,210 |

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 | 1,967 | 6,985 |
| 5.2 Deposits at call | 15,868 | 44,360 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: Cash at End of Quarter (item 1.22) | 17,835 | 51,345 |

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 | 495,782,515 | 469,182,515 | - | - |
| 7.4 | Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs | 104,661,530 | - | - | - |
| 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> | 42,500,000 | - | Exercisable @ \$0.25 to \$0.50 | - |
| 7.8 | Issued during quarter | 1,000,000 | - | Exercisable @ \$0.35 | - |
| 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: 30th April, 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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