

## Mintails to merge with Skeat to become 100,000ozpa producer

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**TAILINGS processor Mintails has revealed the identity of the South African-based mining entity it has been in confidential merger discussions with as Skeat Gold Mining – owner of a large portfolio of plant, equipment and fleet assets. The company's merger offer values SGM at \$A74.7 million and will see the group become a 100,000 ounce per annum producer by next year.**

"The integration of SGM with the company's operations has potential synergistic benefits which are compelling," Mintails told the Australian Stock Exchange yesterday.

Mintails said it had offered \$23 million in cash and 172 million shares at 30c each for a total consideration of \$74.7 million.

To finance the deal, Mintails said it was presently arranging a \$50 million placement.

The acquisition also includes two processing facilities in the East Dagga and Brakpan plants previously held by AngloGold Ashanti as part of its Ergo operation, the largest successful tailings operation in South African history, according to Mintails, processing 890 million tonnes of slimes tailings for 8.2 million ounces of gold.

Mintails said it now expects to produce 112,000oz in the 2007 calendar year which will increase to 157,000oz in the following year through the acquisition of SGM's gold recovery operations on the East Rand Goldfields.

SGM was founded by Peter Skeat, who Mintails described as a well known South African mining engineer famous for his work in heap leaching gold recovery operations.

SGM originally competed with Mintails in the bidding process for the West Rand gold project last year, which eventually fell in favour of Mintails, as SGM was looking for an asset at which it could apply its sizeable fleet of earthmoving and construction assets.

Mintails is currently processing tailings in the Witwatersrand Basin near Johannesburg, producing about 42,000oz per annum at average cash costs of \$US352 per ounce. All production is unhedged.

The project has tailings resources of about 305 million tonnes, of which 145Mt are JORC compliant, and the average grade of the tailings is 0.42 gram per tonne gold.

Shares in Mintails last traded at 20c

