

MLI.AU

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Uranium, Gold
South Africa
Advanced Exploration, Production (gold)
Exchanges: ASX:MLI

Mintails Limited

A\$ 0.60

MLI holds a large portfolio of mine tailings in the historic Witwatersrand basin, South Africa. JORC resource 30.5mlbs U₃O₈ and 3.7moz Au. Near-term resource upside to ~50mlbs U₃O₈ and 6moz Au. WERGO and ERGO initial production expected Oct. '08.

Capital Profile

Share price (A\$)	0.60
52 week range (A\$/share)	0.32 to 0.95
Number of shares (m)	701
Options and warrants (m)	120
Deferred share allotment (m)*	0
Fully diluted (m)	821
Market capitalisation (undiluted) (A\$m)	420.7
Debt (A\$m) - Mar 08F	0.0
Enterprise value (A\$m)	420.7
Major shareholders:	
Kintara (11.5%), JP Morgan Chase (9.4%), Merrill Lynch (8.4%)	
Avg monthly volume (m)	11
Cash (A\$m) - Mar 08F	41.2
Price/Cash (x)	10.2
Price/Book (x)	2.2
Company options:	No

Production and Financial Forecasts

YEAR END: June	Dec-07a	Mar-08F	2007a	2008F	2009F
Exploration and evaluation (A\$m)	0.24	0.25	0.00	3.49	12.00
Corporate (A\$m)	1.67	1.40	1.11	5.54	5.60
Exploration/(Expl.+ Corporate) (%)	13	15	0	39	68
Funding duration at current burn (years)			11.8	2.0	0.8
Shares on issue (pr end) (m shares)	678.2	701.2	495.8	721.2	721.2
Drilling - RAB (m)	na	na	na	na	na
Drilling - Other/Diamond (m)	na	na	na	na	na
Land holding ('000 ha)	na	na	na	na	na
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	1.1	0.0	60.8	112.4	0.0
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	61.5	41.2	13.0	17.7	13.2
Cash backing (Ac/share)	9.1	5.9	2.6	2.4	1.8
Net asset backing (Ac/share)	29.4	27.1	26.5	27.7	31.6

Investment Points

MLI is focused on developing and producing gold and uranium from tailings in South Africa.

Tailings material is in mined, milled and surveyed dumps: Production potential at WERGO (4Q08).

JORC resource statement expected 1Q08; near-term upside to 50mlbs U₃O₈ and 6moz Au, medium-term to >135mlbs U₃O₈ and >15moz Au (MLI 50% ERGO).

Low cost production expected: WERGO opex avg. US\$7.00/t (US\$260/oz Au with uranium by-product credit). BFS expected 1H08.

MLI owns significant mining plant equipment which allows for accelerated project development.

Exploring long term self-generation of electricity.

Former CEO of Harmony Gold joins MLI board.

Company Comment

Overview: MLI listed in 2005 with the Mogale Gold Project in the West Rand. The company has had considerable growth since then and now owns substantial gold and uranium bearing mine tailings in the East and West Witwatersrand basin, mining plant, and land in South Africa.

West Rand Gold Operation (WERGO): (MLI 100%, acquired '05) Historic tailings (>300mt of slimes and sands) in West Rand. Conversion to JORC resource status is ongoing – currently 2moz Au (grading 0.42g/t, in 145.5mt) and 30.5mlbs U₃O₈ (grading 33-51ppm in 323mt), with potential expansion to 4moz Au expected 1Q08. Phase 1 production is scheduled from Oct. '08, with initial throughput of 9.6mtpa, ramping up to Phase 2 with 20mtpa of tailings in 2011, producing 90koz Au and 1.3-1.5mlbs U₃O₈. Phase 1 capex A\$56m, opex (hydraulic mining) expected to be ~ US\$7.30/t if running both (separate) gold and uranium circuits, recovery of 35-50% Au and 70-86% U₃O₈, and 10 year life. Reprocessed tailings will be stored at new "Superdump", capacity 800-100mt tailings.

East Rand Gold Operation (ERGO): (MLI 50% MLI and BEE partner) will produce gold, uranium and sulphuric acid from approx 1,700mt of tailings on the East/Central Rand, using refurbished Brakpan gold/uranium plant. Phases 1-2 (ramp-up Oct. '08 - 2Q09) 15mt/annum tailings for 75kozpa Au. Phase 3: 150koz Au with potential 0.66mlbs U₃O₈ and 855kt sulphuric acid, commissioning 2010, dependent on results of feasibility study. Initial gold JORC resource on 10% of tailings (Dec. '07) is 171.6mt @ 0.3 g/t for 1.67moz Au. If similar uranium grades to West Rand, 1.7bt could contain >135mlbs U₃O₈ + >15moz Au.

West Rand JV – West Wits Mining (ASX:WVI): (MLI 27.7%) JV with DRD Gold in the West Rand for prospective open pit and underground mining projects, spun-off as an ASX listing Dec. '07. **Investment Comment:** MLI's market capitalisation has expanded from about A\$2m at listing to ~A\$420m in 3 years. Management is experienced in South African operations and has created a solid business model, amalgamating infrastructure and resources, and achieving economies of scale. Currently, growth is occurring via JVs and strategic agreements. WERGO gold and ERGO gold/uranium JORC resource announcements expected 1Q08, targeting combined 50mlbs U₃O₈ and 6moz Au, and with potential long-term resource upside of >100%. Assuming that both WERGO and ERGO proceed to Phases 2 and 3 respectively (latter expected by 2010), and tailings conversion to reserves, our net asset value for MLI is ~A\$588m (A\$0.84/share, A\$0.68/share fully diluted) with further upside as development milestones are achieved.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian:		(JORC)							
Uranium (U ₃ O ₈)	Classification	Project	Ore	U ₃ O ₈	Cut Off	U ₃ O ₈	U ₃ O ₈	U ₃ O ₈	Eqty
		Equity	Mt	%	ppm	kt	mlb	mlb	mlb
Reserves									
Resources									
West Rand	Indicated		138.0	0.005	-	6.7	14.7	14.7	
West Rand	Inferred		185.0	0.004	-	7.1	15.6	15.6	
Total West Rand uranium assets			323.0			13.7	30.3	30.3	
Mineralised Material (est., non compliant with JORC)			56.0			0.0	0.0	0.0	
Gold Resources									
West Rand	Measured	100%	7.1	0.680	-	4.8	0.2	0.2	
West Rand	Indicated	100%	8.4	0.440	-	3.7	0.1	0.1	
West Rand	Inferred	100%	130.0	0.408	-	53.0	1.7	1.7	
Total West Rand gold assets			145.5			61.6	2.0	2.0	
East Rand	Indicated	50%	171.6	0.300	-	51.5	1.7	0.8	
						113.0	3.7	2.8	



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R Croll (Exec Dir)
B Swanepoel (Non-Exec)
D Potts (Non-Exec)

Key Projects

Project	Ownership/		JV Partner	Target Type	Process Route	Project Status	Project Location
	Option	Metal					
WERGO/Mogale	100%	U, Au	none	Tailings	Acid Leach	Production	Sth Africa
ERGO	50% incl. BEE	U, Au	DRD Gold	Tailings	-	Adv. Expl	Sth Africa
West Wits	27.7%	U, Au	DRD Gold	Reef/vein	-	Adv. Expl	Sth Africa
East Rand	100%	Au	none	Tailings	-	Production	Sth Africa

Mintails Valuation: Near term target A\$0.68/share fully diluted – high leverage to the uranium and gold price. Further upside as operations commence at ERGO and WERGO expected 4Q08.

MINTAILS LIMITED VALUATION								
	Equity	Gold Resource (Moz)	Uranium Resource (mlbs)	Valuation US\$/oz	Valuation US\$/lb	Target Price A\$m	Valuation (Low) A\$m	Sensitivity (High) A\$m
Projects								
WERGO: Phase 1 and 2	100%	1.9	30 *	79	4.94	172	142	201
:Resource expansion	100%	2.3 *	na	16	na	43	30	83
Sub Total		4.2 *	30 *	45	6.17	215	172	284
ERGO :Phase 1 & 2	50%	1.67	–	30	–	57	40	74
:Phase 3	50%	1.67	15 *	51	5.63	97	97	97
:Resource expansion (60% currently attributed to NPV)	50%	15.0 *	135 *	10	1.11	172	146	199
Sub Total		16.7 *	150 *	17	1.89	326	283	370
+ West Wits Mining	27.72%	33.5 m shares		Share price A\$/sh	0.30	10.1	10.1	10.1
+ Cash						31.2	31.2	31.2
+ Tax Losses						9.6	9.6	9.6
- Corporate						4.4	4.4	4.4
Sub Total						46.5	46.5	46.5
MLI NET ASSET VALUE						588	501	700
Capital Structure								
Shares						701.2	701.2	701.2
Fully Diluted Shares						905.5	905.5	905.5
MLI NET ASSET VALUE PER SHARE						0.84	0.71	1.00
MLI NET ASSET VALUE DILUTED						0.68	0.59	0.81
* Anticipated resource expansion.								

WITWATERSRAND TAILINGS PROJECTS (based on current and anticipated resource)							
		Equity		Sensitivity			
LONG TERM GOLD PRICE	:US\$/oz	700	800	850	900	1000	
EXCHANGE RATE	:AUUS	0.80	0.80	0.80	0.80	0.80	
WERGO PHASE 1&2, + res. upside NPV @ 6% NOMINAL**	:A\$m	100%	150	191	215	238	284
	:US\$m		120	153	172	190	228
NPV/SHARE	:A\$/share		0.21	0.27	0.31	0.34	0.41
ERGO PHASE 1,2 & 3 NPV @ 8% NOMINAL**	:A\$m	50%	138	149	154	160	171
	:US\$m		111	119	123	128	137
NPV/SHARE	:A\$/share		0.20	0.21	0.22	0.23	0.24
		WERGO Phase 2	ERGO Phase 3				
AVG PRODUCTION COST (Au)	:US\$/oz	830	950				
COST INCL. BY-PRODUCT	:US\$/oz	260	-560				
AVG PRODUCTION COST (U)	:US\$/lb	90	35				
COST INCL. BY-PRODUCT	:US\$/lb	5	-21				
* Based on extrapolated resources. Includes a pre feasibility study project discount of 30% of the project value: 30%							
*Uranium price forecasts are US\$60/lb from 1Q10 to 4Q15, thence US\$35/lb long term price.							

WITWATERSRAND TAILINGS PROJECTS KEY ASSUMPTIONS**							
CONCEPTUAL RESOURCE ESTIMATES AND TARGETS							
		Mt	Gold g/t	Moz	Uranium %	Mlbs	Sulphuric acid Mt
	WERGO phase 1 & 2	323	0.42	4.2 *	0.004	30.3	na
	ERGO phase 1,2 & 3 plus expl.	1700 *	0.26	16.7 *	0.004	150.0 *	48.5*
	Total	2023		21		180	
* Anticipated resource upside.							
MINING METHOD		Hydraulic mining of tailings					
PROCESS METHOD		Individual gold and uranium circuits CIL (carbon in leach)					
		WERGO		ERGO			
		Phase 1	Phase 2	Phase1	Phase 2	Phase 3	
PRODUCTION RATE	Ore : mtpa	9.6 to 15	20	7.2	14	30	
	Gold : kozpa	60 to 80	90	42	84	150	
	Uranium : mlbspa	1.2	1.5	na	na	0.66	
	Sulphuric acid: ktpa	na	na	na	na	855	
CAPITAL COSTS	:US\$m	56	50	20.3	na	20.3	Plus sustaining capex of 4%/pa
RECOVERY - GOLD	:%	35-50	35-50	35-50	35-50	35-50	
RECOVERY - URANIUM	:%	75	75	75	75	75	
CASH COSTS	:US\$/t	7.30	7.00	5.00	na	4.40	
TAX	:%	30	30	30	30	30	
MINE LIFE	:Years		14			20+	
TARGET COMMISSION DATE	:	4Q08	2011	4Q08	2Q09	2010	

** These figures are preliminary in nature and are intended to provide only a general indication of project potential scale and economic robustness. Considerable refinement may result from subsequent feasibility studies expected 1H08.

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