



## Appendix 4D Interim Financial Report

for the half year ended  
31 December 2006

(previous corresponding period: half year ended 31 December 2005)

To be read in conjunction with the 30 June 2006 Annual Report.  
In compliance with Listing Rule 4.2A

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Mintails Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2006.

## Directors

The following persons were directors of Mintails Limited during the whole of the half-year and up to the date of this report:

Bryan Frost	Executive Chairman
Diedrich van der Walt	Chief Executive Officer
Wilhelm Schoeman	Executive Director
Richard Revelins	Executive Director
Richard Potts	Non-Executive Director
Peter Chapman	Non-Executive Director

## Review of Operations

During the period under review the company continued with its upgrade and improvement work at the Mogale Gold Plant near Johannesburg, SA. The half year culminated in the completion of the merger with Skeat Gold Mining ("SGM") a significant South African based owner and operator of plant and equipment with substantial hands on commercial experience in heap leach and open cast mining. The merger has established the framework for a complete reassessment of Mintails' existing activities and a renewed focus going forward.

### *Merger With Skeat Gold Mining*

During late December Mintails and SGM completed the transaction which resulted in Mintails acquiring all the shares in SGM and its related subsidiary companies. SGM is one of the largest owners and operators of trucks, bulldozers, cranes and earthmoving equipment in Africa and has operated successfully in the region as a specialist open cast miner and tailings treatment specialist for over 20 years. SGM had previously acquired the East Dagga Gold Tailings Plant and had rights to acquire the Brakpan Gold Tailings Plant from Anglo Ashanti (which together comprised ERGO – East Rand Gold and Uranium Operation).

As a consequence of the merger Mintails now owns 100% of ERGO, the largest gold tailings treatment facility in the world, and HVH which is one of the largest earthmoving and mining equipment companies in Africa. These assets combined with Mintails' existing large resource base have created significant potential for the exploitation of tailings and substantial gold production.

At present the company is finalising its business plan for the merged entity and is proposing to provide a detailed disclosure, in the form of an information update to the market, in the near future.

### *Operations*

During the period the company successfully completed the refurbishment and upgrade of the Mogale Gold Plant in accordance with the project plan envisaged in the Prospectus dated 2 December 2005 and poured its first commercial gold in July 06. The Mogale Plant however, is relatively old and since production commenced it has been subject to ongoing repair, upgrade and improvements aimed at maximising potential output and gold recoveries. As part of this initiative, the company completed the previously announced upgrade of the new sand and water pipelines and also commissioned a new wash bay facility. The wash bay enables additional production by trucking the ore directly to the CIL plant outside the pipeline infrastructure and therefore can assist in increasing production. The completion of these two initiatives was seen as critical to the successful ongoing operation of the Mogale Plant which should assist in minimising disruptions to production through breakdowns and potential bottlenecks.

Mintails also commissioned its own water treatment facility which will see Mogale substitute potable water with treated acid mine drainage water for processing purposes. Aside from the environmental benefits of this approach significant cost savings are expected to flow through to the Mogale operations which consume approximately 1 tonne of water for every tonne of slimes treated.

Over the period the company had experienced a number of production challenges through pipeline breakages, tank failures and interruptions to electricity supply. Those matters which were within the ability of the company to rectify, have now been rectified with the assistance of the management of SGM. Furthermore, the immediate critical problems which arose as a result of issues associated with the authorised electricity service provider have been alleviated to a major extent. South Africa has for some time been subject to ongoing power shortages and the company is taking further action aimed at mitigating this risk.

### **Subsequent Events**

With the merger occurring in late December 06 the company held a combined executive meeting or "indaba" in mid January 07. The purpose of this indaba was to combine and co-ordinate the various operations and responsible personnel to establish an agreed framework going forward as a merged entity.

As a result of this process a number of significant operating decisions were made which the board believes should have a major long term beneficial effect on the company.

In the Information Memorandum sent to shareholders in November 06 the company proposed to build a new heap leach facility on the West Rand to treat the North Sands Dump which was projected to process approximately 3.5 mt of tailings material per month and contribute approximately 33,000 oz Au for calendar 2007. As a consequence of a change in post merger operating strategy management concluded that the North Sands resource could be more efficiently and profitably treated through CIL (Carbon In Leach) processing and accordingly the plan to construct the new West Rand Heap Leach operation was abandoned. As a result total ounces produced for calendar 2007 will be less than projected however management are confident that cashflow and EBITDA will be in line with the expectations contained in the Information Memorandum.

### **WERGO**

The major initiative arising from the January 07 indaba was to immediately commence the construction of WERGO (West Rand Gold Operations) 12 months ahead of schedule. Funds which were to have been allocated to the West Rand Heap Leach Operation have now been redirected to WERGO and ground clearance construction commenced during February with concrete foundations scheduled to be poured during April. Stage 1 of WERGO comprises construction of a new CIL facility capable of treating up to 1 million tonnes of slime per month producing up to 78,000 ounces of gold per annum. On present indications Stage 1 should be completed by October 2008 and accordingly would contribute to earnings for the associated 2009 financial year.

The business plan going forward is to continually increase production capacity by constructing additional CIL circuits over the following 3 years to build capacity to around 3,600,000 tonnes per month and gold production to in excess of 300,000 ozs per annum.

With the acquisition of ERGO and the access and availability of SGM's fleet and equipment the company is in a very favourable operating position in a market that is otherwise experiencing long time lags and lack of availability of equipment and infrastructure.

### **Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors.



Bryan Frost  
Executive Chairman

Melbourne  
Dated 16 March 2007

16 March 2007

The Board of Directors  
Mintails Limited  
Suite 2, 1233 High Street  
ARMADALE VIC 3143

Dear Board Members

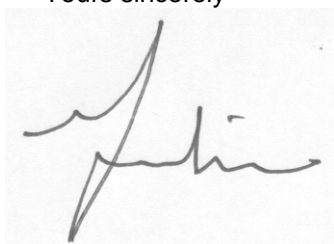
**AUDITOR'S INDEPENDENCE DECLARATION  
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF MINTAILS LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mintails Limited.

As lead audit partner for the review of the financial report of Mintails Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporation Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



**Jeffrey Luckins**  
Director  
Webb Audit Pty Ltd

Dated in Melbourne, Australia on this 16<sup>th</sup> day of March 2007

**Webb Audit Pty Ltd**  
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Mintails Limited ABN: 45 008 740 672

# Appendix 4D for the Half Year Ended 31 December 2006

## Results for announcement to the market

Current Reporting Period - Half year Ended 31 December 2006  
Previous Reporting Period - Half year Ended 31 December 2005

Revenues	up	4519.17%	to	\$6,479,453
Loss after tax attributable to members	down	1076.08%	to	(\$7,202,288)
Net loss for the period attributable to members	down	1077.48%	to	(\$6,972,307)

Dividends (distribution)	Amount per Security	Franked Amount per Security
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

**Net Tangible Asset per Security (cents per security)**

As at 31 December 2006	6.97
As at 31 December 2005	14.28

Record date for determining entitlements to the dividend, (in the case of a trust, distribution) n/a

Explanation of the above information:

Refer to the Directors' Report - Review of Operations.

# INCOME STATEMENT

## for the half year ended 31 December 2006

	Notes	31 December 2006 \$	Economic Entity 31 December 2005 \$
Revenue	3	6,479,453	140,273
Cost of Goods Sold		<u>(6,216,038)</u>	<u>-</u>
Gross profit		263,415	140,273
Administration		(2,940,570)	(223,238)
Directors Remuneration		(1,448,627)	(284,300)
Discount on Acquisition of Subsidiary	5	97,562	-
Employment		(824,750)	-
Foreign Currency Losses		(69,345)	-
Net decrease in fair value of financial assets held for trading		(957,776)	-
Professional		(1,105,737)	(192,581)
Share of net Profit/(Loss) of associate accounted for using the equity method		(6,243)	-
Other Expenses		<u>(210,217)</u>	<u>(52,551)</u>
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(7,202,288)</b>	<b>(612,397)</b>
INCOME TAX EXPENSE		<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(7,202,288)</b>	<b>(612,397)</b>
PROFIT/(LOSS) ATTRIBUTABLE TO MINORITY INTEREST		<u>24,964</u>	<u>-</u>
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(7,177,324)</b>	<b>(612,397)</b>
NET EXCHANGE DIFFERENCE ON TRANSLATION OF FINANCIAL REPORT OF SELF-SUSTAINING FOREIGN OPERATIONS		<u>205,017</u>	<u>20,260</u>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(6,972,307)</b>	<b>(592,137)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Loss per share for loss from operations attributable to the ordinary equity holders of the company:</b>			
Basic loss per share		(2.89)	(1.67)
Diluted loss per share		(2.89)	(1.67)

The accompanying notes form part of these financial statements.

# BALANCE SHEET

## as at 31 December 2006

Note	31 December 2006 \$	Economic Entity	30 June 2006 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	51,344,998		5,182,316
Trade and other receivables	5,420,352		163,397
Other financial assets	692,027		1,097,297
Consumables	1,666,757		5,441,068
Other	157,374		246,667
<b>TOTAL CURRENT ASSETS</b>	<b>59,281,508</b>		<b>12,130,745</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	-		8,346,255
Property, plant and equipment	87,355,361		158,339
Intangible assets	6,897,332		9,335,242
<b>TOTAL NON-CURRENT ASSETS</b>	<b>94,252,693</b>		<b>17,839,836</b>
<b>TOTAL ASSETS</b>	<b>153,534,201</b>		<b>29,970,581</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7,792,367		1,329,665
Borrowings	58,959,931		-
Provisions	224,542		-
<b>TOTAL CURRENT LIABILITIES</b>	<b>66,976,840</b>		<b>1,329,665</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	797,923		-
Borrowings	6,071,690		-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>6,869,613</b>		<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>73,846,453</b>		<b>1,329,665</b>
<b>NET ASSETS</b>	<b>79,687,748</b>		<b>28,640,916</b>
<b>EQUITY</b>			
Contributed Equity	104,357,199		46,319,495
Reserves	(1,688,748)		(1,893,765)
Accumulated Losses	(22,962,138)		(15,784,814)
Total parent entity interest in equity	79,706,313		28,640,916
Minority interest	(18,565)		-
<b>TOTAL EQUITY</b>	<b>79,687,748</b>		<b>28,640,916</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## for the half year ended 31 December 2006

### Economic Entity

	Contributed Equity \$	Reserve \$	Accumulated Losses \$	Minority Equity Interests \$	Total \$
Balance at 30 June 2005	15,089,848	(22,640)	(14,299,682)	-	767,526
Equity issued net of costs	22,842,857	-	-	-	22,842,857
Options exercised net of costs	-	-	-	-	-
Options issued	-	-	-	-	-
Net (Loss) for the period	-	-	(612,397)	-	(612,397)
Movement in foreign exchange reserve	-	19,157	-	-	19,157
<b>Balance at 31 December 2005</b>	<b>37,932,705</b>	<b>(3,483)</b>	<b>(14,912,079)</b>	<b>-</b>	<b>23,017,143</b>
Equity issued net of costs	8,386,790	-	-	-	8,386,790
Options exercised net of costs	-	-	-	-	-
Options issued	-	-	-	-	-
Net (Loss) for the period	-	-	(872,735)	-	(872,735)
Movement in foreign exchange reserve	-	(1,890,282)	-	-	(1,890,282)
<b>Balance at 30 June 2006</b>	<b>46,319,495</b>	<b>(1,893,765)</b>	<b>(15,784,814)</b>	<b>-</b>	<b>28,640,916</b>
Shares issued net of costs	58,037,704	-	-	-	58,037,704
Options exercised net of costs	-	-	-	-	-
Options issued	-	-	-	-	-
Net (Loss) for the period	-	-	(7,177,324)	(18,565)	(7,195,889)
Movement in foreign exchange reserve	-	205,017	-	-	205,017
<b>Balance at 31 December 2006</b>	<b>104,357,199</b>	<b>(1,688,748)</b>	<b>(22,962,138)</b>	<b>(18,565)</b>	<b>79,687,748</b>

The accompanying notes form part of these financial statements.

# CASH FLOW STATEMENT

## for the half year ended 31 December 2006

	31 December 2006	Economic Entity	31 December 2005
	\$		\$
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>			
Receipts from customers	5,343,604		-
Payments to suppliers and employees	(9,407,712)		(521,614)
Interest received	207,826		19,780
Interest and other costs of finance paid	(167,934)		-
	(4,024,216)		(501,834)
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>			
Payment for purchases of plant and equipment	(1,802,792)		-
Proceeds from sales of equity investments	14,772		204,313
Payment for purchases of equity	(567,278)		(10,484)
Loans to other entities	(502,304)		(1,130,000)
Acquisition of subsidiary, net of cash acquired	(1,671,088)		(60,000)
Other (provide details if material)	-		-
	(4,528,690)		(996,171)
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>			
Proceeds from issues of securities	60,684,677		13,000,000
Capital raising costs	(3,258,758)		(876,629)
Repayment of borrowings	(30,046)		-
	57,395,873		12,123,371
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	48,842,967		10,625,366
Cash and cash equivalents at the beginning of the half year	5,182,316		218,691
Effects of exchange rate changes on cash and cash equivalents	(2,680,285)		1,241
	51,344,998		10,845,298
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF YEAR</b>			
	51,344,998		10,845,298

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## Note 1. Basis of Preparation

The general purpose financial report for the interim half year reporting period ended 31 December 2006 has been prepared in accordance with Accountign Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This financial report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Mintails Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Company's significant accounting policies are:

### a. Principles of Consolidation

A controlled entity is any entity controlled by Mintails Limited. Control exists where Mintails Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Mintails Limited to achieve the objectives of Mintails Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Minority interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

### b. Income Tax

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or non-deductible items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

**d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

*Plant and equipment*

Plant and equipment are measured on the cost basis, less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

*Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15% - 50%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount would otherwise be greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

*Mineral Resources*

Mineral Resources are measured at fair value, less amortisation and impairment losses.

The carrying amount of mineral resources is reviewed at each reporting date by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**e. Financial Instruments**

*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*Investments*

Investments held for trading are recorded at fair value and classified as current assets. All other investments are recorded at fair value and either classified as current or non-current assets. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Fair value*

Fair value is determined based current bid prices for quoted investments at reporting dates. Valuation techniques are applied to determine the fair value for unlisted securities; including recent arm's length transactions, reference to similar instruments and option pricing models.

### *Impairment*

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

#### **f. Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed at each reporting date for goodwill and intangible assets.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **g. Intangibles**

##### *Goodwill*

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested at each reporting date for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### *Trademarks & other intangibles*

Trademarks & other intangible assets are recognised at cost of acquisition. If they have a finite life, they are carried at cost less any accumulated amortisation and impairment losses. They are amortised over their useful life.

If the intangible asset is deemed to have an infinite life, it is tested annually for impairment and carried at cost less accumulated impairment losses.

#### **h. Foreign Currency Transactions and Balances**

##### *Functional and presentation currency*

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

##### *Group Companies*

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- \* Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date (monetary items) or historical rates (non-monetary items).
- \* Income and expenses are translated at average exchange rates for the period.
- \* Retained profits/accumulated losses are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

**i. Employee Entitlements**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation or insurance funds and are charged as expenses when incurred.

**j. Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**k. Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**l. Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

**m. Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the economic entity.

Payables to related parties are carried at the principle amount. Interest, when charged by the lender is recognised as an expense on an accruals basis.

**n. Share Capital**

Ordinary share capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**o. Share-based Payments**

Equity-settled payments are measured at fair value at the date of grant or entitlement. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability or exercise restrictions.

The fair value determined for the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

**p. Earnings per Share**

Basic earnings per share is determined by dividing the result for the year after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

**q. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cashflows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

**r. Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**s. Change in Accounting Policies**

During the financial year, the Company introduced a new accounting policy for the treatment of mineral resources, as stated in Note 1d. Previously there was no policy for their treatment as the Company held no mineral resources.

The Company believes that their policy for the treatment of the asset allows for the recording of the fair value of the asset and is consistent with its peers in the mining industry.

**t. Significant Accounting Estimates and Assumptions**

In applying the Company's accounting policies, management continually evaluates estimates and assumptions based on experience and other factors, including expectation of future events that may have an impact on the group as a whole. All estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates and assumptions. Significant estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Valuation and amortisation of mineral resources*

The fair value of mineral resources are generally determined utilising discounted future cash flows. Management also considers such factors as the market capitalisation of the group, the quality of the individual mineral resource and country risk in determining the fair value.

During the period, the group calculated fair value based on up-dated life-of-mine plans, a gold price of US\$654 per ounce and discount factors ranging from 20% to 30%.

**Note 2. Dividends**

No dividends have been declared for the period ended 31 December 2006.

**Note 3. Revenue**

	31 December 2006	31 December 2005
	\$	\$
Resource Sales	5,338,085	-
Other	1,141,368	140,273
	<u>6,479,453</u>	<u>140,273</u>

**Note 4. Segment Information****Business Segments**

<b>31 December 2006</b>	<b>Mining</b>	<b>Online Gaming Data</b>	<b>Investments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Revenue</u>				
External Sales	5,338,084	-	207,904	5,545,988
Unallocated Revenue				933,465
Total Revenue				<u>6,479,453</u>
<u>Result</u>				
Segment Result	(406,596)	-	(957,776)	(1,364,372)
Unallocated Revenue				933,465
Unallocated Expenses				(6,541,400)
Net Result				<u>(6,972,307)</u>
<u>Assets</u>				
Segment Assets	102,592,612	20,975	692,027	103,305,614
Unallocated Assets				50,228,587
Total Assets				<u>153,534,201</u>
<u>Liabilities</u>				
Segment Liabilities	71,689,612	-	212	71,689,824
Unallocated Liabilities				2,156,629
Total Liabilities				<u>73,846,453</u>
<u>Other</u>				
Acquisition of Non-Current Segment Assets	84,917,451	-	-	84,917,451
Depreciation and Amortisation of Segment Assets	1,072,076	-	-	1,072,076
Other Non-Cash Segment Expenses	(2,437,910)	-	909,045	(1,528,865)

<b>31 December 2005</b>	<b>Mining</b>	<b>Online Gaming Data</b>	<b>Investments</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Revenue</u>				
External Sales	-	-	140,273	140,273
Unallocated Revenue				-
Total Revenue				<u>140,273</u>
<u>Result</u>				
Segment Result	(22,436)	-	140,273	117,837
Unallocated Revenue				-
Unallocated Expenses				(730,234)
Income Tax Expense				-
Net Loss				<u>(612,397)</u>
<u>Assets</u>				
Segment Assets	4,352,431	19,423	333,007	4,704,861
Unallocated Assets				20,220,697
Total Assets				<u>24,925,558</u>
<u>Liabilities</u>				
Segment Liabilities	1,288,700	-	-	1,288,700
Unallocated Liabilities				549,715
Total Liabilities				<u>1,838,415</u>
<u>Other</u>				
Acquisition of Non-Current Segment Assets	-	-	-	-
Depreciation and Amortisation of Segment Assets	77	-	-	77
Other Non-Cash Segment Expenses	-	-	-	-

## Geographical Segments

Geographical Location:	Segment Revenues from external sources		Carrying amount of segment assets		Acquisition of non-current segment assets	
	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$
South Africa	10,052,329	-	102,592,612	4,352,431	84,917,451	-
Australia	1,141,369	140,273	50,920,614	20,553,704	-	-
Vanuatu	-	-	20,975	19,423	-	-
	<u>11,193,698</u>	<u>140,273</u>	<u>153,534,201</u>	<u>24,925,558</u>	<u>84,917,451</u>	<u>-</u>

### Note 5. Acquisition of Subsidiaries

In July 2006, the economic entity acquired 100% of Mogale Gold (Pty) Ltd, a South African mining company. This was the second stage in the acquisition of the West Rand Gold Project detailed in the 2006 Annual Report.

The original purchase consideration for Mogale Gold (Pty) Ltd declared to the market was subsequently renegotiated, resulting in a gain to the company of approx \$6 million.

Details of both purchase consideration and subsequent discount on acquisition is stated as follows:

	\$
<b>Purchase Consideration</b>	
<i>Original Negotiated Purchased Consideration</i>	
Cash - 30,000,000 Rand	5,906,310
17,500,000 Ordinary Shares	3,500,000
Vendor Receivable	(12,051,428)
Other	13
	<u>(2,645,105)</u>
<i>Less discount received on renegotiating acquisition price</i>	6,073,639
<i>Finalised Purchase Consideration</i>	
Cash - 10,000,000 Rand	1,893,921
10,000,000 unlisted options exercisable @ \$0.30 on or before 15 September 2009	946,000
7,500,000 unlisted options exercisable @ \$0.50 on or before 15 September 2009	492,750
Vendor Receivable	(12,051,428)
Other	13
	<u>(8,718,744)</u>
<b>Net Assets Acquired</b>	
Assets	20,725,425
Liabilities	(27,006,259)
	<u>(6,280,834)</u>
<b>Discount on Acquisition of Mogale Gold (Pty) Ltd</b>	<u>(2,437,910)</u>

Overall, the acquisition of the West Rand Gold Project generated goodwill on acquisition, calculated as follows:

<i>Goodwill on acquisition of Mintails SA (Pty) Ltd - reported at 30 June 2006</i>	9,335,242
<i>Discount on acquisition of Mogale Gold (Pty) Ltd - during this period</i>	(2,437,910)
<b>Goodwill on Acquisition of West Rand Gold Project</b>	<u>6,897,332</u>

In December 2006, the economic entity acquired 70% of Skeat Gold Mining in South Africa.

The purchase consideration and subsequent goodwill on acquisition of Skeat Gold Mining has been provisionally calculated as follows.

	<b>\$</b>
<b>Estimated Purchase Consideration</b>	
Cash	14,666,667
103,421,050 Ordinary Shares @ \$0.30 each	31,026,315
Vendor Receivables	<u>(14,963,737)</u>
	<u>30,729,245</u>
<b>Estimated Net Assets Acquired</b>	
Net Assets	<u>30,826,807</u>
	<u>(97,562)</u>
<b>Estimated Discount on Acquisition of Skeat Mining (Pty) Ltd</b>	<u>(97,562)</u>

The above figures are provisional as at the date of this report. Provisional figures have been declared due to the size, nature and closeness of the transaction to the report date. Once the transaction is finalised and final settlement completed, the cost of acquisition and net assets acquired will be re-stated for the 2007 Annual Report.

#### **Note 6. Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

#### **Note 7. Contributed Equity**

	<b>31 December 2006</b>		<b>30 June 2006</b>	
	No.	\$	No.	\$
<u>Issued and Paid Up Capital</u>				
Fully Paid Ordinary Shares	412,120,985	101,084,046	186,477,628	45,510,783
Options over Fully Paid Ordinary	41,500,000	<u>3,273,154</u>	20,202,788	<u>808,712</u>
Total Issued Capital		<u>104,357,200</u>		<u>46,319,495</u>

During the half year ended 31 December 2006, the following movements in equity occurred:

#### Shares

- \* 40,000,000 ordinary shares issued to raise working capital.
- \* 166,426,187 ordinary shares issued to fund the acquisition of Skeat Gold Mining.
- \* 18,079,170 ordinary shares issued upon the exercise of options.
- \* 1,138,000 ordinary shares issued to settle agreements.

#### Options

- \* 10,000,000 unlisted options issued as part of acquisition of Skeat Gold Mining. Options are exercisable @ \$0.30 on or before 15 September 2009
- \* 7,500,000 unlisted options issued as part of acquisition of Skeat Gold Mining. Options are exercisable @ \$0.50 on or before 15 September 2009
- \* 5,000,000 unlisted options to Directors, exercisable @ \$0.20 on or before 31 March 2011
- \* 13,000,000 unlisted options to Directors, exercisable @ \$0.25 on or before 31 March 2011
- \* 6,000,000 unlisted options to Directors, exercisable @ \$0.30 on or before 31 March 2011

#### **Note 8. Events Subsequent to Reporting Date**

No matters or circumstances have arisen since the end of the reporting period, not otherwise disclosed in this report, which significantly affected or may significantly affect the operations of the economic entity, the result of those operations or the state of affairs of the economic entity in subsequent financial years.

# DIRECTORS' DECLARATION

The directors' of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 17:

(a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

(b) give a true and fair view of the economic entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'B. Frost', is enclosed in a light pink rectangular box.

Bryan Frost  
Executive Chairman

Dated 16 March 2007

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF  
MINTAILS LIMITED**

ABN 69 008 896 311

**Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Mintails Limited and the entities it controlled during the period, which comprises the balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

*Director's Responsibility for the Interim Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us to believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory financial reporting requirements in Australia. As the auditor of Mintails Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Webb Audit Pty Ltd**  
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Mintails Limited ABN: 45 008 740 672



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF

### **MINTAILS LIMITED**

ABN 69 008 896 311

(Continued)

#### **Independence**

In conducting our review, we have complied with applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

#### **Conclusion**

Based upon our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Mintails Limited and the entities it controlled during the period is not in accordance with:

- a. the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b. other mandatory financial reporting requirements in Australia.

**Jeffrey Luckins**  
Director  
Webb Audit Pty Ltd

Dated in Melbourne, Australia on this 16<sup>th</sup> day of March 2007