



## **COMPANY ANNOUNCEMENT**

### **Sale of ERGO Mines Joint Venture Company**

**22 January 2010:** Mintails Limited (ASX: MLI) today announced that it had entered into an agreement with DRDGold Limited (DRD) subsidiary, East Rand Proprietary Mines Limited ("ERPM"), to sell its 50% equity interest ("the sale equity") in Ergo Mining (Pty) Ltd ("Ergo Mining"). This is the joint venture entity established by MLI and DRD.

Under the terms of the agreement, ERPM will acquire the sale equity for a price of South African Rand (ZAR) 82,088,322 or approx AUD12.6mil (fx: 6.5). This is to be settled by cash payments of ZAR62,088,322 and the balance of ZAR20,000,000 by the transfer of DRD's 50% equity interest in Witfontein Mining (Pty) Ltd ("the Witfontein Deposition Project") to Mintails SA (Pty) Limited ("Mintails SA").

The cash consideration is payable in three tranches; ZAR7,088,322 immediately, ZAR20,000,000 on 31 March 2010 and ZAR35,000,000 on the closing date of the transaction or 30 June 2010, whichever occurs first. The first tranche of ZAR7,088,322 will be treated as an interest bearing loan until such time as all applicable approvals for the transaction are received ("the closing date"). The balance of the cash payments will be held in trust pending the arrival of the closing date. The then balance of the consideration will be settled by the transfer by DRD on the closing date of its 50% equity interest in the Witfontein Deposition Project to Mintails SA (valued at ZAR20,000,000). Under the agreement, ERPM has a right of first refusal to reacquire the 50% equity in the Witfontein Deposition Project should Mintails SA decide to dispose thereof within two years from the closing date.

Following the disposal of its entire gold interest in the Elsburg Joint Venture which was completed in 2009, the remaining 50% equity investment held by Mintails SA in Ergo Mining represented in essence an investment in the optionality value of the uranium-bearing slime material, and the infrastructure capacity of Ergo Mining.

The development of a new uranium business at Ergo Mining alongside the existing gold operation now owned by DRD was extensively evaluated during the latter part of 2009, and MLI concluded that the development of the optionality value of its 50% equity interest in Ergo Mining would necessarily involve operational complexities and require substantial further capital and rehabilitation expenditure. In these circumstances, and considering the potential open-ended timeline of realising the optionality value of the uranium focus, the board has decided that it is better to realise the embedded equity interest value of the sale and use the capital released to focus on the strategy of developing and centralising activities on the West Rand.

Mintails SA is in the final stages of commissioning the expanded gold production capacity at its Mogale Gold 2 which is fully funded from the recent capital raising and proceeds expected from the sale of non-core assets. The first gold production from Mogale Gold 2 is planned for end January 2010. The proceeds from the sale equity interest will therefore be applied predominantly towards strengthening the cash reserves of Mintails SA to pursue its strategic and expansion objectives on the West Rand. Mintails SA is currently evaluating the various possibilities for the further expansion of its gold production capacity to be known as Mogale Gold 3, and the proceeds of this transaction will materially contribute to the various funding options being evaluated for this proposed expansion.

Regaining sole ownership of Witfontein Deposition Project positions Mintails SA to pursue the strategic consolidation possibilities associated with establishing a tailing deposition facility capable of serving the regional tailing closure requirements of the expanded West Rand area. Mintails SA believes that the Witfontein Deposition Project will become a key asset in unlocking growth possibilities for Mintails SA on the West Rand.

The transaction has been made subject to the obtaining of all relevant approvals in Australia and South Africa. The board anticipates that shareholder approval for the transaction will not be required; however, it will consult with the ASX to ensure that any requirements for authorizations in regard to the transaction are met. In South Africa approvals will need to be obtained for the release of Mintails SA from its rehabilitation commitments associated with the Ergo Mining Plant and the assumption of the same by DRD. Competition Commission approval will also be sought. The parties anticipate that all such approvals will be obtained.

On behalf of the Board



Dick van der Walt  
Chief Executive Officer

### **About Mintails Limited**

*Mintails Limited (ASX Code : MLI) is an Australian listed company with management and operations in South Africa. Mintails processes and recovers gold and proposes to recover uranium from surface tailings resources which are present on the West and East Rand of South Africa's historic Witwatersrand Basin. To find out more, visit Mintails at: [www.mintails.com](http://www.mintails.com)*

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