



## Quarterly Report For The Period Ending 30<sup>th</sup> June 2006

### Highlights

- Recommissioning work completed at West Rand Gold Project with both sands and slimes circuits in operation
- Gold production figures for July anticipated to be released within next 7 days
- Grades and recoveries in line with expectations
- Appointment of new director and senior management
- \$15 million institutional capital raising closes fully subscribed

### West Rand Gold Project

During the quarter Mintails completed its recommissioning of the Mogale Gold Project located 60 kms west of Johannesburg, South Africa. Slimes treatment commenced on 21 April with sands treatment starting in late May. The start-up process presented a number of technical challenges which influenced plant throughput and recoveries during July. As the month advanced both throughput and recoveries have built steadily and management are confident that this will result in significantly higher throughput and gold recoveries over the coming months.

A major factor in increasing gold recovery is the introduction of oxygen through proprietary shearing reactors utilized under a technology agreement with Atomaer SA, specifically designed to increase mass transfer between oxygen and the gold containing slurry. Over the quarter Mintails has made provision for additional infrastructure to provide oxygen to the leach circuit since the slime resource requires additional oxygen due to the carbounaceous nature of the material. In addition to improved recoveries through technology, current mining activities revealed that a significantly larger resource exist at Lancaster than what was originally believed, thereby increasing the mining capacity of the company from an area that contributes to good results for an extended period.

Reagent consumption has a significant impact on the operating costs and Mintails are pleased to announce that the associated costs are well within budget and lower than expected.

The mining plan at CAMS provides for a lower than average head grade for the month of August and September due to environmental considerations with regards to the prevailing wind direction and airborne dust control. The head grade is expected to increase as from October onwards.

For this reason gold production according to the mining plan for the next quarter is expected to be in the region of 8000 ounces. According to the detailed mining plan the implementation of technology and an increase in mining of Lancaster slime will be utilised to increase recovered ounces.

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+ See chapter 19 for defined terms.

The mining plan for the December quarter subsequently allows for mining of higher grade areas and the production for this quarter is therefore expected to be in the region of 9300 ounces.

Mintails is anticipating releasing its gold production figures for the month of July on or about the first week of August and continuing monthly production figures on the same basis from then on.

### **Operations**

On 12 July the company announced the appointment of Jaco Schoeman to the board of Mintails Limited and also as managing director of Mintails South Africa (Pty) Ltd. Prior to joining Mintails Mr Schoeman was General Manager of Atomaer SA. The company also announced the appointment of Michael Phillips as mine manager and plant manager of the Mogale Gold Plant.

Both these individuals have been instrumental in the recommissioning of the plant and the ongoing technical management of the West Rand Gold Initiative. These respective appointments have significantly strengthened the company's in-house technical expertise and knowledge base and will be of great benefit to the company as the project continues to expand.

### **Corporate**

On 26 July the company announced it had completed a private placement to international institutions and specialist mining funds of 60 million new shares at a subscription price of 25 cents each raising a total of \$15 million before allowing for costs. The placement was completed in two tranches with the second tranche of 40 million shares (\$10m) having been subject to shareholder approval. Shareholders approved this placement at a meeting held on 24 July.

As described in the prospectus dated 2 December 2005 the company's South African operations including Mogale Gold (Pty) Ltd have been subject to Judicial Management (a form of external administration). On 25 July 2006 the Judicial Manager was discharged and all debts associated with the Judicial Management process were settled.

### **Moving Forward**

With the successful completion of the recommissioning phase and the Mogale Plant now operating at anticipated production and recovery levels the company is confident that average monthly gold production will continue to rise. Mintails' in house technical experts expect to initiate additional fine tuning techniques to maximise recoveries and reduce operating costs.

Mintails is currently involved in advanced negotiations with a number of parties regarding the acquisition of additional tailings resources and new deposition sites. Mintails currently has sufficient deposition capacity for the next 8 to 10 years of operations. It would be advantageous to the company's production and expansion plans to secure additional deposition facilities now to assist in the planning for the future. The company is hoping to be in a position to advise on the outcome of these negotiations during the next quarter.

For And On Behalf Of The Board



Bryan J Frost  
Chairman

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+ See chapter 19 for defined terms.

## Appendix 5B – 4th 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')**

30<sup>th</sup> June 2006

#### Consolidated Statement of Cash Flows

	Current Quarter \$A'000	Year to Date (12 months) \$A'000
<b><u>Cash Flows Related to Operating Activities</u></b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(289)	(1,237)
(e) contract services	(146)	(429)
(f) staff costs	-	(419)
(g) other working capital	-	(80)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	65	172
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(370)</b>	<b>(1,993)</b>
<b><u>Cash Flows Related to Investing Activities</u></b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	15	236
(c) other fixed assets	-	-
1.10 Loans to other entities	(4,660)	(11,655)
1.11 Loans repaid to other entities	-	(260)
1.12 Other (provide details if material)	-	-
<b>Net Investing Cash Flows</b>	<b>(4,645)</b>	<b>(11,679)</b>
<b>1.13 Total Operating and Investing Cash Flows</b>	<b>(5,015)</b>	<b>(13,672)</b>

+ See chapter 19 for defined terms.

		Current Quarter \$A'000	Year to Date (12 months) \$A'000
1.13	<b>Total Operating and Investing Cash Flows (Carried Forward)</b>	(5,015)	(13,672)
<b>Cash Flows Related to Financing Activities</b>			
1.14	Proceeds from issues of shares, options, etc.	7,535	19,704
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	(137)
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(720)
<b>Net Financing Cash Flows</b>		<b>7,535</b>	<b>18,847</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>2,520</b>	<b>5,175</b>
1.20	Cash at beginning of quarter/year to date	2,872	217
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at End of Quarter</b>	<b>5,392</b>	<b>5,392</b>

**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	132
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
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- 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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+ See chapter 19 for defined terms.

### 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	200
4.2 Development	400
<b>Total:</b>	-

### 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	3,776	69
5.2 Deposits at call	1,616	2,778
5.3 Bank overdraft		-
5.4 Other (provide details)		25
<b>Total: Cash at End of Quarter</b> (item 1.22)	<b>5,392</b>	<b>2,872</b>

### 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		

+ See chapter 19 for defined terms.

### 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	<b>Preference +Securities</b> <i>(Description)</i>	-	-	-	-
7.2	Changes During Quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions	-	-	-	-
7.3	<b>+Ordinary Securities</b>	204,556,798	145,056,798	-	-
7.4	Changes during quarter (a) Increases through issues			-	-
	(b) Decreases through returns of capital, buy- backs			-	-
7.5	<b>+Convertible debt securities</b> <i>(Description)</i>	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b> <i>(Description and Conversion Factor)</i>				
7.8	Issued during quarter				
7.9	Exercised during quarter	24,488,988			
7.10	Expired during quarter	985,618			
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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: 31<sup>st</sup> July 2006

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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