

Quarterly Report For The Period Ended 31 December 2008

MINTAILS
LIMITED



About Mintails

- Mintails owns substantial gold, uranium and sulphur bearing tailing materials located in South Africa's historic Witwatersrand Basin.
- Through its ownership of extensive plant, equipment and infrastructure Mintails is in the process of becoming a significant producer of gold and potentially uranium and sulphuric acid with processing facilities on both its West and East Rand locations.

Issued Capital : 695.2m shares
: 820.9m shares
(fully diluted)

Major Shareholders

: Kintara	11.05%
: JP Morgan	8.43%
: Henderson Global	6.26%

Directors

: Bryan J. Frost, Executive Chairman
: Dick van der Walt, CEO
: Lloyd Birrell, Special Projects Director
: Basie Maree, Executive Director
: Richard Revelins, Executive Director
: Charles Scorer, Non-executive Director
: Peter Chapman, Non-executive Director

Website: www.mintails.com.au

This report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with estimation of uranium and gold resources, the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

Mintails accepts no responsibility to update any person regarding any error or omission or change in the information in this presentation or any other information made available to a person or any obligation to furnish the person with further information.

Highlights

- Agreement to sell 35% interest in Elsburg Gold Joint Venture Project for R177m (AUD 26.8m). Mintails retains its ERGO Mines 50% Joint Venture interest.
- Positive developments with Department of Minerals and Energy at Mogale Gold Project
- Progress at new Witfontein Deposition Site and 50% Joint venture with DRD Gold
- Further cash generation from disposal of non-core assets
- Management restructure for both East and West Rand Projects.

Overview

During the quarter the major initiative announced by the Company was that it had signed a binding Heads of Agreement with DRD Gold Limited ("DRD Gold") in respect to the sale of Mintails remaining 35% interest in the Elsburg Gold Joint Venture Project for R177m (approx. AUD 26.8m) in cash.

The agreement allows Mintails to retain its 50% interest in the larger ERGO Mines Joint Venture which comprises all the existing plant and infrastructure and approximately 1.5 billion tonnes of tailings materials containing gold, uranium and sulphur.

The transaction is subject to the fulfillment of certain conditions precedent including regulatory approvals in RSA and no adverse material changes in the Rand gold price and DRDGold share price. Mintails will utilise part of the proceeds from this sale to satisfy all outstanding creditors, following which the Company will be in a relatively strong cash position. Other non-core and surplus assets have also been identified for disposal and may provide additional funds which, in a climate where new equity and debt raisings are extremely difficult to complete, will provide a strong financial base for the Company.

In October 2008, the Company announced that it had disposed of a 15% interest in Elsburg to DRDGold for R100m (approx. AUD 15.1m). These funds were required to allow for completion of funding arrangements for the ERGO Mines Joint Venture Project which, as announced in November 2007, significantly expanded the East Rand operations and resulted in the need for further development capital.

DRDGold already held an option to acquire a further 11.4% interest in Elsburg (i.e. to bring its interest to 76.4% in total) at an exercise price of R75m (approx. AUD11.3m), which was exercisable in the event that the Company did not have sufficient funds to complete its funding arrangements in respect to the East Rand projects. Given the state of the markets, the directors of Mintails concluded it would have been unlikely that the Company could secure the required funding before 31 December 2008 to avoid this further dilution. The binding Heads of Agreement did not alter the option, but the purchase price in respect of the transaction would adjust automatically if the option were to have been exercised before completion of the transaction.

EAST RAND OPERATIONS (50% MLI / 50% DRD Gold)

East Rand Operations currently comprise :

- 50% interest in ERGO Mines Joint Venture which includes;
 - o 1.5 billion tonnes of tailings materials containing gold, uranium and sulphur
 - o ERGO plant, equipment, infrastructure and servitudes
 - o Major deposition sites

As described above Mintails disposed of its remaining 35% interest in the Elsburg Gold Joint Venture to DRD Gold which comprises approximately 180 million tonnes of the overall 1.7 billion tonnes of tailings materials which form the ERGO Mines Joint Venture in which Mintails retains a 50% interest. The decision to dispose of the remaining Elsburg interest was taken after a prolonged campaign to raise additional capital and taking into account the prevailing economic difficulties experienced in financial and debt markets worldwide which made new equity and debt raisings unavailable to the Company. Faced with this worldwide problem the Company negotiated the disposal of its residual 35% Elsburg interest for R177 (AUD 26.8m) in cash. Had the Company not secured this agreement a further dilution of 11.4% would have occurred if the Company had been unable to secure additional funding to contribute its proportion of funding arrangements in respect of the ERGO Joint Venture.

As part of the agreement with DRD Gold funds have been jointly provided by Mintails and DRD Gold towards funding a feasibility study in respect to the exploitation of uranium and sulphur contained within the ERGO Joint Venture tailings. The outcome of this feasibility work will provide a basis for determining the commercial merits of processing for the recovery of uranium, sulphuric acid and gold.

HVH HEAP LEACH OPERATIONS (100% MLI)

During the quarter the Company reached agreement for the sale of the HVH plant for R16m (AUD 2.4m) and HVH rock dump crushing and screening plant for R4.5 million (AUD 0.7m). Despite representations from the vendors to the contrary and continuation of the existing management this operation has been a heavily loss making undertaking and a constant drain on the Company's cash and management resources ever since it was acquired approximately 2 years ago. It is also planned to dispose of the Company's interests in the HVH rock dumps.

In a separate transaction Mintails negotiated the sale of the redundant Daggafontein footprint and the remainder of the plant that was not required for Mintails own purposes for R16m (AUD 2.4m).

WEST RAND OPERATIONS (100% MLI / BEE)

West Rand Operations comprise:

- 100% interest (subject to Black Economic Empowerment) in the West Rand Operations which includes;
 - o JORC Resource comprising 322 million tonnes containing 3.19m ozs of gold, 25.65 million pounds of uranium (20 g/t uranium cut-off grade) and as yet unclassified sulphur resources
 - o Mogale Gold Plant (approx. 120,000 tonnes per month)
 - o WERGO Gold Plant (65% complete – deferred commissioning)
 - o Fleet of trucks, and earthmoving equipment
 - o 50% interest in new proposed Witfontein Deposition site

During the previous quarter a decision was made to defer the planned expansion to processing capacity on the West Rand through construction of the new WERGO plant. The Mogale Plant is continuing gold production and therefore the West Rand operations will now be referred to collectively as the Mogale Projects. The rationale for the deferment was based on poor project design by the former Mintails Projects team largely inherited as a consequence of the acquisition of Skeat Gold Mining, a former emphasis on uranium production impacted by a sharp fall in uranium prices, difficulties in raising additional capital associated with imploding financial markets as well as delays in receiving approval for the proposed new deposition site at Witfontein. The new production facility now deferred is 65% complete although no construction (with the exception of some preliminary civil and steel work) has commenced on the Uranium Plant. The Company will continue to monitor conditions for the potential reinstatement of expansion plans for production on the West Rand.

Mintails recently reached agreement for the sale of 50% of the Witfontein Deposition site to DRD Gold for R20m (AUD 3m). This is a strong step forward in the consolidation plans the Company has for the West Rand and it is expected that other parties may participate directly in Witfontein over time. The Company also disposed of approximately 30% of non-essential fleet and equipment.

Additional non-core assets are earmarked for disposal. These funds together with the funds to be raised from the above transactions and the proceeds of sale of the 35% Elsburg interest should place the Company in a strong financial position.

During the quarter the Company made constructive progress with the Department of Minerals and Energy in respect to submissions concerning cyanide destruction and water pumping, two significant costs of the Mogale Gold Plant. During the quarter the Mogale Plant processed 443,000 tonnes of tailings and recovered 5,062 ozs of gold. Metallurgical performance of the plant remained within expectations with an overall metallurgical recovery of 60.9%.

Refurbishment of the three sand mills continued during the quarter resulting in all three mills being available for production at an average utilisation of 86.5%. The mill refurbishment will continue into the next quarter and will ensure improved mill availability. A further programme of evaluation and feasibility of the gold, uranium and sulphur content of the West Rand tailings is underway. The objective for 2009 is to define a sulphide sulphur resource for the West Rand tailings deposits. A sulphide sulphur floatation process will be investigated as a more cost effective alternative method of collecting gold and uranium minerals into a low bulk sulphide sulphur concentrate. The concentrate would then undergo downstream gold and uranium recovery operations.

Further upgrade of the sand resources will also be conducted in 2009 as this material forms an important interim feed material to the Mogale plant until such time as the Mogale Project metallurgical complex is designed and constructed.

CORPORATE

Apart from a series of disposals of non-core assets the major corporate transaction was the binding heads of agreement with DRD Gold for the disposal of Mintails remaining 35% in the Elsburg Gold Joint Venture.

The Company is undertaking feasibility work on both the East and West Rand the results of which will determine which commodities will be commercially pursued by the Company.

Mintails has made good progress with DME in respect to its existing Mogale Gold Plant and in finalising approvals for the Witfontein Deposition site. Mintails was also successful in attracting DRDGold for a 50% interest in the Witfontein site. Negotiations are also underway with other parties who may wish to participate in this initiative.

Subsequent to the end of the quarter Bernard Swanepoel resigned as a director of the Company to pursue personal interests. The Company thanks Mr Swanepoel for his contribution and remains in close consultation with him.

As part of a restructure of Company operations and management Mr Basie Maree has been charged with the overall responsibility of both the Mogale Projects and Mintails' 50% interest in the ERGO Mines Joint Venture.

Appendix 5B – 2nd 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 (ASX: MLI)

ABN:

45 008 740 672

Quarter Ended ('Current Quarter')

31st December, 2008

Consolidated Statement of Cash Flows

	Current Quarter \$A'000	Year to Date (6 months) \$A'000
<u>Cash Flows Related to Operating Activities</u>		
1.1 Receipts from product sales and related debtors	6,483	12,903
1.2 Payments for: (a) exploration and evaluation	(178)	(404)
(b) development	(4,385)	(9,645)
(c) production	(6,452)	(14,434)
(d) administration	(841)	(3,584)
(e) contract services	(167)	(302)
(f) staff costs	(2,443)	(4,635)
(g) other working capital	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	96	672
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(7,887)	(19,329)
<u>Cash Flows Related to Investing Activities</u>		
1.8 Payment for purchases of:	-	-
(a) prospects	-	-
(b) equity investments	(460)	(5,805)
(c) other fixed assets	-	(2,167)
1.9 Proceeds from sale of:	-	-
(a) prospects	-	-
(b) equity investments	3,003	3,003
(c) other fixed assets	3,060	3,060
1.10 Loans to other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12a Other – Acquisition of Subsidiary	-	-
1.12b Other (provide details if material)	-	-
Net Investing Cash Flows	5,602	(1,910)
1.13 Total Operating and Investing Cash Flows	(2,285)	(21,239)

+ See chapter 19 for defined terms.

	Current Quarter \$A'000	Year to Date (6 months) \$A'000
1.13 Total Operating and Investing Cash Flows (Carried Forward)	(2,285)	(21,239)
<u>Cash Flows Related to Financing Activities</u>		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	115	115
1.17 Repayment of borrowings	3,003	3,003
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
Net Financing Cash Flows	3,118	3,118
Net Increase / (Decrease) in Cash Held	833	(18,121)
1.20 Cash at beginning of quarter/year to date	4,141	22,624
1.21 Exchange rate adjustments to item 1.20	65	535
1.22 Cash at End of Quarter	5,039	5,039

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	506
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

-

+ 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	80
4.2 Development	
Total:	

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	3,379	1,110
5.2 Deposits at call	1,660	3,030
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: Cash at End of Quarter (item 1.22)	5,039	4,140

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 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	Nil			

+ 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	Preference ⁺Securities (Description)	-	-	-	-
7.2	Changes During Quarter (a) Increases through issues (b) Decreases through returns of capital, buy- backs, redemptions	-	-	-	-
7.3	⁺Ordinary Securities	695,179,652	695,179,652	-	-
7.4	Changes during quarter (a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy- backs	-	-	-	-
7.5	⁺Convertible debt securities (Description)	-	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options (Description and Conversion Factor)	79,926,000	-	Exercisable @ \$0.25 to \$0.81	-
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

+ 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:

Date: 30th January, 2009

Print Name: Director
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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