

Company Update

2 July 2009

Further to the Company Update provided 30 June 2009, Mintails Limited (ASX: MLI) ("Mintails" or "the Company") wishes to provide further details concerning the offer by DRD Gold Limited ("DRDGold") to acquire all of the Company's interests in its South African subsidiaries and thereby all its South African assets ("the Offer").

- The Offer does not extend to Mintails holding of 33,750,000 shares in West Wits Mining Limited (ASX: WWI). In any event Mintails has no capacity to sell or otherwise deal with its holding in WWI shares until the expiry of ASX imposed escrow restrictions in December 2009.
- Acceptance of the Offer is subject to written approval of the Company's Board on or before 31 July 2009. The Board intends to consult widely with the market and its shareholders over the coming weeks in order to assess all the alternatives available before proceeding with this transaction. The Board may determine after such consultation not to approve the acceptance and thereby not proceed with the transaction.
- There are several other conditions to be met before a transaction could proceed, including approval of Mintails shareholders in general meeting. If the matter is proceeded with and a meeting called, an information memorandum would be provided including, inter alia, details of the Company's plans and prospects post implementing such a transaction. At this point it is premature to expect that a definitive position on those matters has been reached.
- Although the final calculation for the purchase price under the Offer needs to be confirmed by each party's broker, a preliminary calculation shows the Offer is equivalent to approximately 5.9 to 6.0 cents for every share on issue. The precise amount is subject to verification of the calculations by each parties broker. The purchase price would be paid in DRDGold shares which during the relevant volume weighted average price (VWAP) period have traded at between approximately ZAR 7.61 and ZAR 6.11 (AUD 1.17 and AUD 0.94 based on an average ZAR/AUD exchange rate of 0.15461*). Preliminary calculations indicate that subject to the brokers' confirmation Mintails would receive a total of approximately 35,400,000 (based on a rough average of the two DRDGold share prices indicated above), DRDGold shares under the Offer terms. The daily prices of DRDGold shares are readily available on either the JSE or DRDGold websites and numerous other sources.

In assessing the Offer it is important to take into consideration the Company's ongoing capital and operating expenditure requirements. As previously announced, Mintails in early 2009 embarked upon an expansion of its West Rand Operations to upgrade its sand operation and commission a separate slime production facility. These projects were aimed at increasing cash flow by November/December 2009. Until these projects are completed Mintails remains dependant on cash flows generated from its sand operations, the proceeds of the disposal of its stake in the Elsburg Joint Venture and the proceeds of further planned disposals of some non-core assets. As at 30 June 2009 Mintails and its subsidiaries held cash deposits of approx AUD 7.3 million to fund operations, completion of the West Rand projects and all other requirements. A number of issues have now arisen which have had a detrimental impact on the plans outlined above. In summary:

- (a) As previously announced the Company has recently received indications which suggest that rehabilitation commitments for South African mining projects may now involve a requirement for cash funding rather than using arrangements such as insurance bond indemnities. If such a policy was implemented by the South African authorities the Company estimates that it may become liable to pay cash rehabilitation deposits totalling approximately R160 million (AUD 24 737 600*) to satisfy rehabilitation requirements on the ERGO mining project (circa R85 million contribution) and the West Rand project (circa R75 million). The Company does not currently have sufficient cash resources to meet such a commitment if it should arise.
- (b) The Company's operating plans were based upon a gold price of R265,000 per kilogram (AUD 40,971*) whereas since May 2009, as a result of the strengthening Rand, the gold price has averaged approximately R245,000 per kilogram (AUD 37,879*) and is currently being sold at around R240,000 per kilogram (AUD 37,106*).
- (c) The South African power authority Eskom has recently indicated that it will require a R6 million deposit (AUD 927,660) to upgrade existing power infrastructure to enable completion of power requirements for the expanded slime production facility on the West Rand. This requirement was not anticipated.
- (d) The plans for the disposal of the Company's HVH CIL Plant have been delayed thereby deferring receipt of capital proceeds of approximately R7 million (AUD 1,082,270*). The sale of the Company's fleet assets which was anticipated to generate approximately R6 million (AUD 927,660*) has been renegotiated on the basis that the consideration will now be obtained through cancellation of entitlements to shares arising through the original transaction to acquire Skeat Gold Mining. This will have the effect of limiting dilution to existing shareholders but will mean that the Company does not receive cash of approximately R6 million (AUD 927 660*) which was anticipated through the disposal of the fleet assets.

It is in these circumstances that the Company received the Offer from DRDGold. The most recent quarterly report disclosed the net asset value of the Company as being at AUD0.18 per share. This was a significant decrease in the previous net asset values reported, primarily, because the Company wrote down both the gold and uranium plant expenditure that had taken place to that point, as well as the uranium resource on the West Rand. The total value placed on the ERGO Joint Venture with its significant tailings dumps and plant and equipment is reflected in the Company's loan account with that joint venture company which currently amounts to R118 million (AUD 18 243 980*). Whilst the Offer from DRDGold has been set by reference to the market trading price of Mintails shares the Company believes that there is substantial potential upside value in the assets owned by Mintails. The future realisation of that value depends upon completing the current projects referred to above and thereafter pursuing further expansion projects to achieve critical mass and long term growth. However, the current circumstances as outlined above indicate that in order to achieve such an outcome, Mintails would potentially need to raise new capital especially in the event that a change in policy of requiring cash deposits for rehabilitation funds is implemented by the South African authorities.

Before making a decision to approve or not approve proceeding with a transaction based on the Offer Mintails and its Board will in the coming weeks be considering and consulting with shareholders on all relevant matters including the following issues:

(A) The impact of a decision by South African authorities to implement a policy through which rehabilitation funds require cash deposits in South Africa. A move to a requirement for a cash deposits could drain capital from the South African mining industry as a whole and cause potential job losses and closure of mining operations. In these circumstances there is a substantial basis for believing that over time other solutions may be found to the requirements for funding of rehabilitation commitments. However, the Company must also be mindful not to expose itself to an uncertain outcome in regards to funding rehabilitation commitments unless it has a strong indication that it will be in a position to meet such commitments through other means.

(B) The level of support which may or may not exist amongst the Company's current shareholders and/or other market participants to providing new capital to ensure the Company has sufficient funds to meet its ongoing and potential funding commitments as outlined.

(C) The quantum of the DRDGold Offer (which may at present be considered by same as opportunistic and below value), and what other alternatives might exist for achieving higher value returns through an alternative transaction.

The consideration and further investigation of these issues over the coming weeks will enable the Company to balance the merits of proceeding with an approval of the Offer against the available alternatives taking into account all the circumstances. The provision of the conditional acceptance to the Offer enables the Company to keep the option of selling assets pursuant to the terms of the Offer open whilst exploring these other matters.

** The exchange used for calculating amounts expressed in this document is ZAR/AUD 0,15461.*

On behalf of the Board



Terri Bakos
Company Secretary

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

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