



## Quarterly Activities Report

### December 2011

Australian Securities Exchange code: MLI

#### Issued Capital

Capital: 152,230,143

Diluted Capital: 163,090,113

### GROUP RESULTS

#### Key Highlights for the Quarter to 31 December 2011

- The average head grade per tonne improved significantly from 0.66g/t to 0.706g/t compared to the previous quarter due to the processing of higher grade material from within the West Wits Pit and the toll treatment arrangements with CRG and Galabyte.
- Gold production up 34% compared to the same period last year.



Review of Operations		Quarter Ending Dec-11	Quarter Ending Sep-11	% Change Quarter on Quarter Q2 2012 vs Q1 2012	Quarter Ending Dec-10	% Change Quarter on Quarter prior year Q2 2012 vs Q2 2011
Resource Mined	Tonnes	314,838.0	389,283.0	-19.1%	345,593.0	-8.9%
Gold Recovery Ratio	grams per ton	0.556	0.495	12.3%	0.377	47.5%
Gold Production	oz	6,566.8	7,165.1	-8.4%	4,308.6	52.4%
	kg	204.2	222.9		134.0	
Gold Production Sold * (*excludes toll treating arrangements)	oz	5,301.28	6,280.19	-15.6%	4,308.62	23.0%
	kg	164.89	195.34		134.01	

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.

## **Operational Overview**

### ***Toll Treatment Arrangements***

As detailed in an announcement on 21 November 2011, Mintails entered into new toll treatment agreements with two neighbouring mining companies during the quarter.

Firstly, an agreement with Galabyte (Pty) Ltd ("Galabyte"), the acquirer and operator of the Middelvlei Mine, commenced in late November for a fixed, 24 month period. Galabyte will provide approximately 30,000 tonnes of ore per month to be treated at Mogale's Gold 1 Plant. Further, Galabyte may elect to contribute up to an additional 20,000 tonnes per month should additional ore be available and Mintails agree that the additional volume can be processed given the resource processing plan at that time.

Secondly, following the success of the previous toll treatment agreement with Central Rand Gold Limited ("CRG"), Mintails signed another toll treatment agreement with CRG for a fixed term of 90 days, after which the parties have the option to extend the agreement by mutual consent. Under the terms of the agreement, Mintails will provide the capital infrastructure via its milling and processing facilities at the Mogale Gold Plant, while CRG will contribute 30,000 tonnes of gold bearing ore over the course of the 90 day term of the agreement.

### ***Production***

Production for the quarter decreased 9% from the previous quarter due to several significant factors. The Company's production was affected by seasonal lightning strikes which caused power failures in the metallurgical operating sections. This led to a total loss approximately 2 processing days. Mechanical failures on critical equipment led to reduced tonnage treated over a combined period of 22 days.

Towards the beginning of the quarter, the mine plan for the West Wits Pit led to a significant increase in the pre-stripping. The pre-stripping was completed in December and block can now be mined at a higher rate than originally planned. This is a one-off cost for pre-stripping for which the benefits will be seen over future quarters.

During the first half of the quarter, the main feed source remained CAMS sand dump while waste removal from the West Wits Pit was ongoing. However, as CAMS is nearing depletion, its achievable mining rate is decreasing. During the second half of the quarter, feed sources were more diversified, and included CAMS sand, the introduction of higher grade material from the West Wits Pit, as well as reef material from CRG and Middelvlei under their respective toll agreements.

The average head grade improved (0.66gAu/t in the first quarter compared to 0.706gAu/t in second quarter) due to the increase in higher grade material being processed. The residue grade also showed a significant improvement (0.165gAu/t in first quarter compared to 0.150gAu/t in second quarter) due to the upgrade of the water reticulation and oxygen injection systems, achieving improved recovery efficiencies for the fourth consecutive quarter.

A second Wash Bay, situated close to the new Crusher Plant, was constructed and fully commissioned during the quarter. This wash bay will now serve as the main feeding circuit for the high grade material from the pit, as well as the CRG and Middelvlei material. This bay is expected to reach a daily target of 1000 tonnes per day early in the next quarter.

The re-commissioning of 1L8 slimes dam commenced during the quarter with the aim of increasing capacity utilization and production at Gold 1. The commissioning process is expected to be completed during January 2012 with the benefits of this additional feed source reflected in production from February 2012.

During the period, CRG and Galabyte began to deliver material to be processed on their behalf through the respective toll treatment arrangements in place. Both toll treatment arrangements, as well as the Company's own West Wits Pit material, are delivering a much higher grade material compared to proprietary slimes and sands resources, which is in line with the Company's objective of diversifying resource feed stock and increasing head grade. Some minor investment was required and completed during the quarter to facilitate a more efficient processing of hard rock ore.

### ***Mining Rights and Licensing***

#### *a. Randfontein Cluster*

The Department of Mineral Resources (DMR) has confirmed that the Mogale Gold application for a conversion of the Mogale Gold Mining License, Ref ML12/2003, to a New Order Mining Right has been granted. The final conversion is expected early in 2012.

#### *b. Soweto Cluster*

Mintails is still awaiting a response from the DMR regarding the renewal of a Prospecting Right for the Soweto Cluster.

#### *c. Mogale Gold Water License*

All the required documentation for the application for an Integrated Water Use License (IWULA) has been submitted to the Department of Water Affairs (DWA) and Mintails is awaiting approval.

### **Safety**

The Company has been unable to achieve the next milestone of 1 500 000 Lost Time Injury (LTI) free hours due to an unfortunate incident during the quarter in which a worker sustained an eye injury. The team has since been able to achieve 238 974 LTI free hours by the end of the quarter.

### **Deposition**

During the quarter, deposition of the Mogale plant tailings continued into the West Wits Pit. The feasibility and EIA of the above-pit deposition project continues to facilitate longer-term continual deposition capacity for Gold 1 and 2.

### **Environment**

Pumping of water from Lancaster Dam commenced during the quarter to control the water level of the dam and avoid it breaching the dam wall during this rainy season; which assists in the prevention of downstream water source contamination. A pipeline has been installed during the quarter and since the commencement of pumping the water level in the dam has decreased by approximately 40%.

During the previous quarter the Company reported that it had established its first Small, Micro and Medium Enterprise (SMME). The SMME has since continued with its dust suppression project on North Sand dump. The results have shown a decrease in dust fall-out after the project was initiated in July 2011 and are now generally within established parameters. The project has now been suspended due to the current high rainfall season that provides sufficient natural suppression of dust on the dump but is expected to re-commence in May 2012 again for sufficient dust suppression during the windy season of the year.

The SMME further undertook some environmental rehabilitation test work at Frik-se-Dam, an area where the Company has re-treated the tailings but still has rehabilitation liability to achieve final closure. Eragrostis grass was planted on half a hectare of the area to determine if successful growth of grass will be possible. The grass is now approximately 30cm high and proves that this is a viable way to rehabilitate the area. Further decisions about the rehabilitation of the area will be made in due course.

## Corporate

The Company is pleased to announce that it appointed Mr Eddie Milne as the Company's Chief Financial Officer. Mr Milne, who resided in England in various roles during the past ten years, has recently relocated back to South Africa to formally join the Company in January 2012.

His expertise in cost analysis, finance and negotiating and structuring complex financial and operational transactions will be of great benefit to Mintails in the future.

The company is progressing with its search to appoint a Chief Executive Officer, and the Company is hopeful that it will be able to make an announcement in this regard in the near future.

On 25 January 2012 the Company announced that West Wits Mining Limited (ASX: WWI) had accepted an offer to sell its rights to four mining leases in South Africa to a consortium in which Mintails Ltd is a 50% participant along with Galabyte (Pty) Ltd (Galabyte), a private South African company. The four leases are to be acquired for a total cost of \$9 million and contain stated JORC resources<sup>#</sup> of 139,000 oz Au and a JORC reserve<sup>#</sup> of 58,000 oz Au. The leases cover sub-surface rights approximately underlying Mintails' existing "Randfontein Cluster" surface rights in the area.

<sup>#</sup> JORC Resources and Reserves as disclosed by West Wits Mining Limited (ASX: WWI) for the Emerald Gold, Emerald East and Monarch Projects on the West Wits, West Rand Consolidated, Luipaardsvlei and East Champ D'Or Leases.

### ***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 from surface tailings resources which are present on the West Rand of South Africa's historic Witwatersrand Basin. To find out more, visit Mintails at: [www.mintails.com](http://www.mintails.com).***

# Appendix 5B – 2<sup>nd</sup> Quarter

## Mining Exploration Entity Quarterly Report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

**Name of Entity:**

MINTAILS LIMITED (ASX: MLI)

**ABN:**

45 008 740 672

**Quarter Ended ('Current Quarter')**

31<sup>st</sup> December 2011

### Consolidated Statement of Cash Flows

	Current Quarter \$A'000	Year to Date (6 months) \$A'000
<b><u>Cash Flows Related to Operating Activities</u></b>		
1.1 Receipts from product sales and related debtors	10,927	21,664
1.2 Payments for: (a) exploration and evaluation	(75)	(180)
(b) development	-	-
(c) production	(9,713)	(17,729)
(d) administration	(713)	(1,492)
(e) contract services	(56)	(800)
(f) staff costs	(1,829)	(3,584)
(g) other working capital	(136)	(262)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	33
1.5 Interest and other costs of finance paid	-	(24)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,588)</b>	<b>(2,374)</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	-	-
(d) capital upgrade to assets	(407)	(633)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12a Other – Acquisition of Subsidiary	-	-
1.12b Other - Funding for Joint Venture	-	-
<b>Net Investing Cash Flows</b>	<b>(407)</b>	<b>(633)</b>
1.13 <b>Total Operating and Investing Cash Flows (carried forward)</b>	<b>(1,995)</b>	<b>(3,007)</b>

+ See chapter 19 for defined terms.

		<b>Current Quarter \$A'000</b>	<b>Year to Date (6 months) \$A'000</b>
1.13	<b>Total Operating and Investing Cash Flows (Brought Forward)</b>	<b>(1,995)</b>	<b>(3,007)</b>
<b><u>Cash Flows Related to Financing Activities</u></b>			
1.14	Proceeds from issues of shares, options, etc.	-	4,859
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,500	1,500
1.17	Repayment of borrowings	(809)	(3,235)
1.18	Dividends paid	-	-
1.19	Other (Capital Raising Costs)	-	-
<b>Net Financing Cash Flows</b>		<b>691</b>	<b>3,124</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>(1,304)</b>	<b>117</b>
1.20	Cash at beginning of quarter/year to date	2,866	1,527
1.21	Exchange rate adjustments to item 1.20	(262)	(344)
1.22	<b>Cash at End of Quarter</b>	<b>1,300</b>	<b>1,300</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**

		<b>Current Quarter \$A'000</b>
1.23	Aggregate amount of payments to the parties included in item 1.2	131
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, consulting fees at normal commercial rates
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**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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### Financing Facilities Available

*Add notes as necessary for an understanding of the position.*

		<b>Amount Available \$A'000</b>	<b>Amount Used \$A'000</b>
3.1	Loan facilities	1,000	1,000
3.2	Credit standby arrangements	-	-

### Estimated Cash Outflows for Next Quarter

	<b>\$A'000</b>
4.1 Exploration and evaluation	72
4.2 Development	0
4.3 Production	9,653
4.4 Administration	742
4.5 Contract Services	269
4.6 Staff Costs	1,749
<b>Total:</b>	<b>12,485</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.

	<b>Current Quarter \$A'000</b>	<b>Previous Quarter \$A'000</b>
5.1 Cash on hand and at bank	991	2,529
5.2 Deposits at call	309	337
5.3 Bank overdraft	-	-
5.4 Funds held in trust	-	-
<b>Total: Cash at End of Quarter (item 1.22)</b>	<b>1,300</b>	<b>2,866</b>

+ See chapter 19 for defined terms.

### 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	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

### 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>	152,230,143	152,230,143	-	-
7.4	Changes during quarter (a) Increases through issues	297,000	297,000	\$NIL	\$NIL
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	<b>+Convertible debt securities</b> <i>(Description)</i>	5	-	\$100,000 per note (25% interest; Convertible @ \$0.11. Redeemable 21/06/12)	\$100,000 per note
7.6	Changes during quarter (a) Increases through issues	5	-	\$100,000 per note (25% interest; Convertible @ \$0.11. Redeemable 21/06/12)	\$100,000 per note

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining Exploration Entity Quarterly Report**

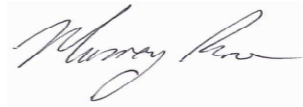
	(b) Decreases through securities matured, converted	(1)	-	\$100,000 per note (15% interest; Convertible @ \$0.10. Redeemable 31/12/11)	\$100,000 per note
7.7	<b>Options</b> ( <i>Description and Conversion Factor</i> )	10,860,000	-	Exercisable @ \$Nil to \$8.00	-
7.8	Issued during quarter	4,800,000	-	Exercisable @ \$0.18 - \$0.24 expiring @ 21/12/2017 and 21/12/2018	-
7.9	Exercised during quarter	(297,000)	-	Exercisable @ Nil Consideration expiring @ 02/01/2013 and 06/06/2014	\$0.00
7.10	Lapsed during quarter*	(1,000,000)	-	Exercisable @ \$0.45 expiring @ 11/12/2014	\$0.00
7.11	<b>Debentures</b> ( <i>totals only</i> )	-	-	-	-
7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	-	-	-	-

\*Lapsed due to vesting conditions not being met

+ 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, 2012

Print name: Murray Rose

## 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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