

Mintails strikes gold in perfect match

After merging with a leading South African mining company, gold producer Mintails is well on track to grow into a significant gold and minerals player.

By **Sonya Neufeld**



Mintails executive director Richard Revelins.

As its name suggests, Mintails is focused on the development, processing and production of gold and potential other minerals from “mining tailings”.

Its operations are located in South Africa’s world-famous Witwatersrand Basin, which is home to a large area of gold and uranium-bearing reefs and one of the most historic regions on the gold mining map.

Gold mining first began in the area, near Johannesburg, in 1886. It has since produced over 1.7 billion ounces, representing in excess of 30% of the world’s gold production since the area was discovered.

Although nearly all of the older mines have ceased production, the area still produces most of South Africa’s total gold, with many of the big producers still active in the area.

In the last few years, Mintails has drastically changed its colours.

The company, which used to be called Gaming and Entertainment (GAM), re-branded itself as Mintails when it acquired the Mogale gold project located on the West Rand, about 70km west of Johannesburg in October 2005, altering its underlying activities.

After an initial public offering, which raised \$12 million in December 2005, the company was re-listed on the Australian

Securities Exchange and pursued scoping and feasibility studies to bring the Mogale gold plant back into production. Another \$15 million was raised in July last year as the Mogale plant started production.

During all of this, another company, South African-based Skeat Gold Mining (SGM) acquired the East Daggafontein gold plant and secured an option over the Brakpan gold and uranium processing facility. Together they comprised ERGO (East Rand Gold and Uranium Operations), the largest tailings treatment facility in the world, formerly owned and operated by AngloGold Ashanti.

Those wise investments became significant for Mintails when it and Skeat agreed upon a merger soon afterwards.

Since then, very good things have happened for the company.

As well as completing the \$74.7 million Skeat merger, Mintails took the opportunity to raise \$50 million from leading resource funds in London through the assistance of Cenkos Securities. It now boasts a share register that includes Merrill Lynch, JP Morgan, Geologic Resource Fund, Rubicon and a number of other highly regarded significant resource specialists.

It has transformed the company’s future.

“Skeat were a perfect match with us,” executive director Richard Revelins told *RESOURCESTOCKS*.

“They came to the table with one of the largest fleets of earthmoving equipment in Africa, an existing profitable heap leach gold operation and the biggest gold and uranium tailings treatment facility in the world.

“We came with a huge resource, a strong management team and a limited tailings treatment facility and we put them both together.

“It’s all working very, very well.”

Indeed it is. The combined assets have created major potential for the exploitation of tailings and substantial gold production. The enlarged Mintails is now expected to complete the first phase of its new West Rand gold operations (WERGO) in October next year.

Its operations now include the Mogale CIL (carbon-in-leach) gold plant on the West Rand, the HVH heap leach operation in East Rand, the new West Rand gold operations (WERGO) and CM demolitions, which focuses on gold recovery and refurbishment.

Ironically, SGM originally competed with Mintails in the bidding process for the prized West Rand gold project in 2005.

But Mintails came out on top and announced its first commercial gold production in July 2006. All production is unhedged.

The project has tailings resources of about 305 million tonnes, of which 145Mt are JORC compliant, and the average grade of the tailings is 0.42 gram per tonne gold containing about 1.9Mt gold (in the JORC categorised portion).

The merger also effectively propelled Mintails past its own plans to upgrade production with a second leach circuit



Sand dump at Mintails’ Mogale operations near Johannesburg in South Africa.



Mintails plans to increase production capacity by constructing more carbon-in-leach plants over the next three years.

and beneficiation plant, as it will now be able to use the plant at Brakpan and East Daggafontein to accelerate its development plans.

It will also be able to increase production and diversify its revenue base through SGM's heap leaching operation on the East Rand gold fields.

"If you want to get a mining project up and operating, first it takes you a considerable amount of time, money and luck to find it," Revelins said.

"You then need to drill it out, do the feasibility work and procurement and start building the plant and all the ancillary work associated with that.

"There's also a worldwide shortage of plant, equipment, infrastructure and professionals who possess the requisite skills and experience. As a result, there are huge constraints on the supply side.

"But where we find ourselves now is we don't have to look for the gold because it's all sitting in very big piles above the ground.

"We know where it is, we've got all this historical data, which tells us what they've mined in the past, and we've drilled a lot (about half) of our resources out, so we know where the grades are and how the dumps are composed.

"Since the merger, we also don't have major problems with access to equipment or infrastructure, so we're in a rather enviable position in comparison to anyone else who wants to try to get into this space."

In fact, Mintails has so many options in front of it, it had to form an "Other Projects" division to examine the multitude of scenarios it now has on offer.

Those may include a second train on the West Rand to initially process uranium

or produce a uranium by-product like the original ERGO operation and/or reopening the old West Rand Cons mine and its adjacent mines to mine gold and/or uranium ore underground.

Other opportunities include reducing costs by utilising treated acid mine water in the production process and pumping excess industrial quality water to Rustenburg's platinum mines or by making some of the cleared ground available for affordable housing.

"At an initial evaluation, the underground potential of what we have appears to be highly promising," Revelins said.

"Also, historically, the companies mined a lot of uranium in the areas we're in, so we have reason to suspect that there may be uranium that's already been mined and milled in our dumps and we're sampling that at the moment.

"According to well-known historical production, there is reason to believe there may be uranium in the underground workings as well, so that's something we will be exploring going forward."

Mintails has now begun construction of a new gold processing plant on the West Rand. Because it now has access to existing infrastructure, including the East Daggafontein and Brakpan gold plants, the construction is 12 months ahead of schedule.

Stage 1 of WERGO will include construction of a new CIL facility capable of treating up to 1Mt of slime per month and producing up to 78,000oz of gold per annum.

Scheduled to be completed by October 2008, it is expected to contribute to earnings for the associated 2008-09 financial year.

Going forward, Mintails plans to continually increase production capacity by constructing more CIL circuits over the next three years.

This includes plans to build capacity to about 3.6Mt per month and gold production to in excess of 300,000oz per annum by end-2011.

Revelins strongly believes that is achievable.

"You can either call it very intelligent or very fortunate, depending on which way you want to look at it, but we seem to be sitting in the middle of a mining boom with a very large resource base with highly experienced technical people, which are hard to find, with a massive inventory of plant and equipment that people just can't get, and an ability to recover minerals," he said.

"You put all that together and our story becomes a very large one.

"Our aim is to build ourselves into a very significant gold and other minerals producer and we have everything we need to achieve it." **RS**

mintails at a glance



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Market Capitalisation

\$225 million (at press time)

Major Shareholders

Kintara Ltd 17.2%
Merrill Lynch 10.7%
Geologic Resource Fund 8.55%
JP Morgan Chase 6.55%