

UPDATE ON SUSPENSION OF HARD ROCK OPERATIONS

As noted in the announcement by Mintails Limited (“Mintails” or the “Company”) (ASX:MLI) of 20 January, 2014, the Company was directed by the Department of Mineral Resources (“DMR”) to cease all open cast mining operations undertaken by the Company pursuant to the mining right (the “Mining Right”) held by West Wits Monarch (Proprietary) Limited (“West Wits”) and in terms of which the Company was mining as the contract miner on behalf of West Wits, as more fully set out below.

Mintails issues a precautionary statement regarding the adverse impact on trading conditions from the continuing Section 93 and Section 54 notices issued by the DMR on 17 January, 2014. These notices require the Company to temporarily halt open pit hard rock mining activities until concerns regarding Health and Safety issues, particularly at the Princess Pit site, and regulatory documentation were addressed. The Company has submitted the required documentation for both notices and will be supplying further requested information on Monday, 3 February specific to the section 54 notice.

1. BACKGROUND TO THE CESSATION

- 1.1. Towards the end of calendar year 2013, concerns were expressed by the community of Kagiso Township Extension 1 (the “**Kagiso Community**”) regarding the Company’s mining operations, in particular, the blasting operations undertaken by the Company at the Princess Pit, which is situated approximately 350 metres at its closest point from the western boundary of the Kagiso Community.
- 1.2. The residents of the Kagiso Community alleged that the blasting operations being undertaken at Princess Pit caused damage to houses in the township and they also expressed concerns about the dust and noise impacts caused by the close proximity of Princess Pit to the township. During November and December 2013, the Kagiso Community’s dissatisfaction with the alleged impacts of the operations at Princess Pit, as well as other unrelated matters (damage caused by severe hail storm) escalated, resulting in the invasion of the Princess Pit on several occasions by large numbers of community residents and extensive damage to earth moving equipment. Due to on-going safety concerns, the mining operations were ceased at the Princess Pit from 7 January 2014.

- 1.3. On 09 January 2014, the Company engaged with the Minister of Mineral Resources of the Republic of South Africa (the “Minister”) and other various officials from the DMR. Subsequent to this meeting, Mogale Gold (Proprietary) Limited (“Mogale Gold”) (a subsidiary of the Company) was issued with a directive in terms of section 29(b) of the Mineral and Petroleum Resources Development Act, 2002 (the “MPRDA”) which required Mogale Gold to take various steps to provide further information about the Company’s regulatory compliance position in addressing the dust and noise impacts arising from the operations being conducted at the Princess Pit. The requirements of the Section 29 will be complied with once mining re-commences.

2. NATURE OF THE ORDERS AND COMPANY’S RESPONSE

- 2.1. On 17 January 2014, West Wits (as holder of the relevant Mining Right) was issued with the following notices:
 - 2.1.1. a notice in terms of section 54(1)(a)(b) of the Mine Health and Safety Act, 1996 by the Principal Inspector of Mines (the “Section 54 Notice”); and
 - 2.1.2. a notice in terms of section 55 of the Mine Health and Safety Act, 2006 by the Principal Inspector of Mines (the “Section 55 Notice”); and
 - 2.1.3. the order in terms of section 93(1)(b)(i) and (ii) of the MPRDA (the “Section 93 Order”);
- 2.2. The Section 54 Notice required West Wits (as the owner of the right) to cease open cast mining operations at the Princess Pit and other areas until such time as West Wits had rectified certain health and safety non-compliance issues. The works required have been completed and West Wits will make representation on the remaining documentation to the DMR on 3 February 2014.
- 2.3. The Section 55 Notice requires the provision of information and details of all legal appointments between the Owner (West Wits Monarch) and the Contractor (Mintails SA Randfontein Cluster (Pty) Ltd). This order does not halt operations. The Company is in the process of preparing the required documentation and shall submit same within the timeframe stipulated in the Notice. All required information will be provided well ahead of the 15 February deadline.

- 2.4. Under the terms of the Section 93 Order, West Wits was directed to, *inter alia*, cease all open cast mining operations on the basis of certain alleged non-compliance issues. West Wits has submitted several requests to the DMR to lift this Order to cease the mining operations. However, the DMR has thus far declined to lift the Section 93 Order arguing that it does not have the authority to do so until such time that the issues pertaining to the mining operations of West Wits and the unrest have been resolved by the High Court of South Africa under a court application launched by the Premier of Gauteng Province seeking to interdict the Company and Mogale Gold from conducting blasting and other mining operations in the area neighbouring the Kagiso township. On 30 January 2014, the Section 93 Order was varied by agreement between the parties and substituted with an Order that restricts the reach of the Regional Manager's Order to the operations at the Princess Pit. Additionally, the required compliance documentation was submitted to the DMR.
- 2.5. Since the issue of the Section 93 Order, West Wits and the Company have taken all steps necessary to comply with the Section 93 Order, which include (amongst others) ceasing all open cast mining activities under the Mining Right and safeguarding all mining operations in accordance with the Section 54 Notice to the satisfaction of the Principal Inspector of Mines.
- 2.6. Additionally, the Company has taken all formal and informal steps available to resolve the outstanding queries raised by the DMR, but the relevant officials have not yet been available to address the matters directly with the Company.

3. COMPANY'S LAUNCH OF COURT PROCEEDINGS

- 3.1. As a result of the lack of satisfactory progress with the DMR, on Thursday, 30 January 2014, the Company launched an urgent court application in the North Gauteng High Court in Pretoria, South Africa to appeal against the Section 93 Order on the grounds of unlawfulness. The DMR have indicated they will defend the application. The matter is due to be heard on Tuesday, 4 February 2014.

- 3.2. The application notwithstanding, the Company continues to seek confirmation of compliance of the notices through the normal regulatory channels with an express preference to resolve any remaining concerns, should there be any, amicably.

4. **IMPACT ON OPERATIONS**

- 4.1. Since the receipt of the orders discussed above, Mintails has been able to process stockpiled material, other sources of feedstock (such as surface fines material) and tailings. However, the stockpiled material has now been largely depleted and the only remaining source of material which can be processed to produce gold is the tailings or slimes dams which are not affected by the Section 93 Order, as the slimes reclamation operations are not open cast operations and are not conducted under the affected Mining Right.
- 4.2. The tailings and other surface sources are insufficient to facilitate profitable operations. The Company is now operating at a loss. Should the notices not be lifted through the normal regulatory process and/or the High Court application fail, the Company will have to take immediate action to significantly reduce its operating costs. Without the ability to conduct hard rock mining operations in the open cast pits other than the Princess Pit with immediate effect, a viable quantity of gold will not be able to be produced from this week onwards, and the Company will have to take steps to immediately begin the orderly closure of part or all of its operations.
- 4.3. Should the Notices not be lifted, the Company is prepared to give notice to its employees that, for reasons based on operational requirements, it is contemplating retrenching up to the entire workforce as the mining operation is no longer financially viable. If necessary, such notices will be issued to employees this week. Steps are also being taken to consult with the recognised trade unions with a view to notifying the Minister in terms of section 52(1)(b) of the MPRDA that the mining operation is to cease with the effect that in excess of 800 employees and direct contractors are likely to be retrenched within the next few weeks.
- 4.4. If the Notices are not lifted, the Company will be in financial distress and thus may have to commence business rescue proceedings as contemplated under Chapter 6 of the South African Companies Act, 2008

5. CAUTIONARY ANNOUNCEMENT

- 5.1. Whilst the Company is confident about the prospects of success of its High Court application, the Shareholders are cautioned that there is no certainty on the outcome of the application. Accordingly, Shareholders are advised to exercise caution when dealing in the Company's securities as the issues outlined above may have a material effect on the price of the securities of the Company, as well its prospects of remaining a going concern.

The Board will continue to advise Shareholders of any developments in regard to the matters outlined above.

On behalf of the Board

Mark Brune
Chairman
Mintails Limited
3 February 2014

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 both tailings and surface resources which are present on the West Rand of South Africa's historic Witwatersrand Basin. To find out more, visit Mintails at: www.mintails.co.za