MINTAILS LIMITED

18 December 2014

Company Update

Overview

- ***Operational performance remains below expectations across all aspects of production.***
- ***Paige Limited (associate of the Company's major shareholder) unwilling to provide further funding.***
- ***Cream Magenta 171 Proprietary Limited (South African subsidiary of the Company) has been placed into "Business Rescue" under the South African Companies Act.***
- ***The Groups ability to continue as a going concern remains dependent upon the executive management team identifying and implementing a mining plan that will result in a positive cash flow for the Group and ongoing support from remaining South African trade creditors and Paige Limited.***

Mintails Limited ("MLI" or "the Company") (ASX: MLI) advises that operational performance remains below expectations across all aspects of production.

The Company's open pit operational performance has been materially impacted by the failure of the East Champ D'Or pit to yield expected production. While this pit targets the crown pillar of the higher grade Main Reef, together with associated reef bands, lower actual grades materialised than experienced on other sections of the Main Reef. During mining, the Company encountered significant voids that were not reflected on the historic plans; both in the form of unmapped stoping as well as unmapped surface mining. The unexpected unavailability of reef led to amending the East Champ D'Or mine plan to significantly reduce the expected production and life of pit. While a bespoke compartment of the pit series remains to be mined, production from this pit has been suspended with any remaining available fleet re-assigned to other operating pits.

Production from the other active pits, namely the Lancaster, Monarch and Emerald pits (all on the Kimberly Reef series) has matched grade expectations. However, due to the lower average realisable grades on the Kimberly Reef series, production out of these pits is sensitive to meeting production volume targets in order to remain viable. As previously reported, the Company continues to experience poor fleet availability due to machine break-downs. These, in turn, adversely impact on both the fleet utilisation and fleet efficiency. As such, production continues to significantly lag budget.

The Company's slimes processing activities have been performing within expectations. The slimes production has been increased following the completion of the capacity expansion works (maximum Gold 1 plant slimes processing capacity increased to 150,000 tonnes per month). As expected, teething issues were experienced, primarily in poor and variable residue grades. These have been systematically addressed, and, while not completely stabilised, weekly average residue grades have been reverting towards the planned residue grade.

Underground operations at D Shaft have not produced according to plan due to the continuing issues encountered with difficult ground conditions in establishing a second means of escape. This issue has now been resolved and the Company is now in a position to ramp up production to planned levels. While stoping has now commenced, the number of crews underground will need to be increased to meet budgeted production, a process expected to take four to six weeks.

Paige Limited (an associate of the major shareholder), which has provided crucial working capital funding to the Company in recent months, has indicated that it is unwilling to continue to lend to the Company beyond the current outstanding AUD5 million facility (which is has been fully drawn down) unless clear changes to the operational plans can demonstrate viable operations going forward.

Two contractors who have been operating in the open cast pits have recently advised that they will be removing their fleet from the Company's premises until an arrangement has been made to pay their unpaid invoices. Given that some of the Group's trade creditors are not willing to extend further credit, together with Paige's unwillingness to provide further funding in the current circumstances, the Board of the impacted South African subsidiary company, Cream Magenta 171 Proprietary Limited ("CMD"), has reviewed the options available to that company and determined that it is necessary to place the company into Business Rescue. Business Rescue is defined in Section 128 of the South African Companies Act as proceedings to facilitate the rehabilitation of a company that is financially distressed by providing for (1) the temporary supervision of the company, and the management of its affairs, business and property, (2) a temporary moratorium on the rights of claimants against the company or in respect of property in its possession, (3) the development and implementation, if approved, of a plan to rescue the company by restructuring its affairs, business, property, debt, and equity in a manner that maximises the likelihood of the company continuing in existence on a solvent basis or, if that is not possible, (4) a plan that would achieve a better return for the company's creditors than the payment they would have received if the company had been liquidated immediately.

The ability of the Company to continue as a going concern remains dependent upon the executive management team identifying and implementing a mining plan that will result in a positive cash flow for the group. This review is being urgently undertaken by the executive management team. Even if this is successful, the ability of the group to continue as a going concern will remain dependent on the continued support of the remaining trade creditors and Paige Limited. The board is currently considering the sale of non-core assets and future capital raising options to assist the Company's financial position.

The Company will provide further updates as and when further information becomes available.

On behalf of the board

Mark Brune
Chairman
Mintails Limited

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