



## Quarterly Activities Report for the period ended December 2014

Australian Securities Exchange code: MLI

### Issued Capital

Number of ordinary shares (listed):  
268,894,893  
Options on issue (un-listed): 9,550,000

### GROUP RESULTS

#### Key Highlights for the Quarter to 31 December 2014

- Total tonnages mined during the quarter 399,069 tonnes (Tailings: 284 398 tonnes, Hard Rock: 114 671 tonnes)
- Average head grade recovered for the quarter was 0.69g/ton
- Total gold produced for the quarter was 6,748.90 Ounces



Review of Operations		Quarter Ending Dec-14	Quarter Ending Sep-14	% Change Quarter on Quarter Q2 2015 vs. Q1 2015	Quarter Ending Dec-13	% Change Quarter on Quarter prior year Q2 2015 vs. Q2 2014
Resource Mined	Tonnes	399,069.1	369,651.9	8.0%	341,106.0	17.0%
Gold Head Grade per Ton	grams per ton	0.69	0.88	-22.0%	0.96	-28.3%
Gold Production *	Oz	6,748.9	8,484.3	-20.5%	9,886.8	-31.7%
	Kg	209.9	263.9		307.5	
Gold Production Sold **	Oz	6,569.1	8,112.7	-19.0%	9,603.6	-31.6%
	Kg	204.5	252.6		299.0	
Gold Price Received	US\$ per Oz	1,198.2	1,279.3	-6.3%	1,274.1	-6.0%
	ZAR per Kg	430,694.7	441,924.2	-2.5%	414,462.9	3.9%
Nett Cashflow	AUD\$ '000	(2,212.0)	1,566.0	241.3%	3,733.9	159.2%
	ZAR '000	(21,254.0)	15,607.9		35,190.5	
Capital Expenditure ***	AUD\$ '000	56.0	324.7	-82.7%	379.0	-85.2%
	ZAR '000	538.3	3,236.3		3,571.9	

\* Inclusive of Toll Treating Agreements \*\* Exclusive of Toll Treating Agreements \*\*\* Excluding payments to West Wits

## ***Operational Overview***

Subsequent to finishing the Gold 1 slimes circuit upgrade at the beginning of the quarter, tailings tonnes were increased to maximise plant utilisation. The increase in tailings processing was utilised to make up shortfalls in budgeted hard rock production as well as plant capacity that was previously not usable due to infrastructure constraints. Tonnes processed for the quarter totalled 399,069 tonnes, marginally behind the budgeted 405,000 tonnes, of which 71% were the processing of tailings. The increased volume of tailings being processed reduced the average recovered grade to 0.69g/ton (Q1: 0.88g/ton).

The availability of mining contractors' equipment remained a major issue, causing a significant shortfall in planned hard rock delivery to the plant. This in turn led to a significant cash operating loss for the period. The cash operating losses limited the Company's ability to meet creditor invoices as received. On or about 15 December 2014, two of the Groups major mining contractors issued notice to Mintails that they were not willing to continue mining operations for the remainder of the month of December. The Board of Mintails' operational subsidiary company called an emergency meeting on 16 December 2014 and subsequently placed Cream Magenta 171 (Pty) Ltd ("CMD") into Business Rescue. The decision was taken on the back of reviewing all potential options available to the Group, including the possibility of replacing these contractors in the near term. Due to the pending annual festive season break in South Africa replacement contractors were not able to be engaged..

Mr Peter Gordon and Ms. Sandra Beswick were appointed as Business Rescue practitioners. The requirements under the relevant Companies Act of South Africa is that a business rescue plan needs to be compiled within 25 working days of filing for Business Rescue, a task currently being conducted by the Business Rescue practitioners and the Directors of CMD, with full cooperation from management.

Upon placing CMD into Business Rescue, all open pit mining operations were ceased.

### ***Loan from Shareholder***

On 1 August 2014, Mintails advised that it had agreed the terms of an unsecured loan with Paige Limited, an associate of its major shareholder. The loan was secured to fund working capital requirements.

The key terms of the loan were:

**Facility:** Up to AUD5,000,000 at the discretion of the lender

**Term:** 6 months, callable by lender with 30 days' notice.

**Interest:** 15.1111% pa

**Facility fee:** 2% of amount drawn

Under the facility agreement, the Company agreed to lodge a prospectus for a rights issue within 30 days of releasing its annual financial accounts for the year ended 30 June 2014, or as agreed with the lender, who has subsequently agreed to a deferral of this obligation. Further details regarding the proposed rights issue will be released in due course.

The total amount available under the facility was drawn during the first two quarters of financial year.

### ***Events Subsequent to Quarter End***

A further loan has been entered into between Paige Limited and Mintails Limited for an amount of up to AUD3,000,000 on similar terms to the previous loan. The access to funds and the ability to draw against the loan remains at the discretion of Paige Limited.

Approval was provided by Paige Limited for the immediate draw of circa AUD1,000,000 against the loan to support immediate working capital requirements of the Company.

Subsequent to the quarter end, the Company has re-started open pit operations in the Monarch Pit while the Business Workout Practitioner prepares the plan, which may ultimately have an impact on the open pit operations of the Company. Additionally, the Company has initiated rock dump fines screening and has been approached with several perspective toll treatment opportunities. Each of these opportunities are only short term in nature.

### ***Overview: Production***

Over the period, open pit mining took place at 4 areas:

- Emerald Open Pit
- Lancaster Open Pit
- East Champ d'Or Open Pit
- Monarch Open Pit

Mining within the East Champ d'Or area was conducted on the out-crop and crown pillar of the Main Reef. Historical mining plans obtained from the Department of Mineral Resources indicated that there was a significant crown pillar remaining with extensive near surface pillars, making East Champ D'Or a significant target. However, during mining, the Company encountered significant voids both in the near surface underground pillars and the crown pillar that were not reflected on the historical plans. The unexpected voids led to amending the mine plan to significantly reduce the expected production life of the pit. While a bespoke compartment remains to be mined, mining operations within the area were suspended in late November 2014.

Mining operations in Emerald, Monarch and Lancaster pits continued to fail to meet production targets. Whilst realised grade was in line with budget, limitations on contractor machine availability and the consequential reduced fleet efficiencies has led to a material production shortfall.

### ***Underground: D-shaft***

While some production has commenced, it has not yet reached planned levels. Development progress has been slowed by very poor ground conditions in the oxidised area near surface. Additionally, much of the current work is still allocated to development work, with limited stoping yet to take place.

### **Underground Exploration**

#### **Central East Shaft**

The exploration works previously reported at the Central East decline shaft continued during the quarter. Works to date have seen the opening up of the historical shaft, supporting the portal and creating access to the historical 3 level cross-cut which connects the this shaft area with the already established D-shaft area.

#### **KSG-Shaft**

Exploration works were conducted with crews entering and making safe of the historical incline shaft on the Kimberly Reef horizon. This decline is close to the current open pit mining operations being conducted at Emerald section. Significant horizontal access has been achieved along the reef drives and sampling and has been conducted, identifying the opportunity to further explore the resources within this area as a viable underground target for the future.

#### **Drilling**

Drilling continued to the end of November on the MR133 mining area which is targeting the unmined Bird Reef conglomerate on East Cham D'Or.

The data collected is currently being modelled within Deswik CAD allowing for a full 3-D model to be developed on the Bird Reef within this area.

### ***Safety & Health***

The total Lost Time Free ("LTI") injury statistics for the quarter were as follows:

- LTI Free man hours were 286 896, with Loss Time Injury (LTI) Free days being 58;
- There was one Lost Time Injury during the quarter. The person was injured when a piece of hanging wall dislodged in the D-shaft and fell on his left hand, resulting in a fracture.

### ***Mining Tenements held by the Company***

Mintails, through its subsidiaries, holds a 74% interest in the following mining rights:

- GP206MR – Mogale Gold (Pty) Ltd for surface reclamation of tailings within the Randfontein cluster (Minerals: Gold, Silver)
- GP183PR – Durban Roodepoort Deep (Pty) Ltd for prospecting surface reclamation of tailings within the Soweto cluster (Minerals: Gold, Silver). This right is under appeal for extension with the Department of Mineral Resources due to the Department not granting an extension application for the prospecting right.
- GP641PR – Witsand (Pty) Ltd for prospecting sand resources within the Witfontein Farming area (Minerals: Sand)
- GP417PR – Autumn Star (Pty) Ltd for prospecting tailings within the Randfontein Cluster (Minerals: All other minerals apart from Gold and Silver)

Mintails has commercially acquired a 74% interest in the following mining rights which are still awaiting Section 11 Ministerial consent for the transfer of the rights from West Wits Mining Limited to Mintails:

- GP132MR – Mintails SA Randfontein Cluster (Pty) Ltd for the mining of hard rock material through open pit and or underground mining operation on the Randfontein Cluster area. (Minerals: Gold, Silver)
- GP133MR – Mintails SA Randfontein Cluster (Pty) Ltd for the mining of hard rock material through open pit and or underground mining operation on the East Champ D'or area. (Minerals: Gold, Silver) (Mintails acquired the option to take possession of this right should investigations show that it is sufficiently economically attractive; as yet, however, these investigations have not been completed.)

#### ***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 hard rock and 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.co.za](http://www.mintails.co.za)*

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

### Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

MINTAILS LIMITED (ASX: MLI)

ABN

45 008 740 672

Quarter Ended ("Current Quarter")

31<sup>st</sup> December 2014

### Consolidated Statement of Cash Flows

Cash Flows Related to Operating Activities		Current Quarter \$A'000	Year to Date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	9,845	21,610
1.2	Payments for		
	(a) exploration & evaluation	(74)	(160)
	(b) development	-	-
	(c) production	(8,316)	(18,397)
	(d) administration	(876)	(1,752)
	(e) contract services	(58)	(138)
	(f) staff costs	(2,371)	(4,685)
	(g) other working capital	(71)	(157)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	6	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		<b>(1,915)</b>	<b>(3,668)</b>
Cash Flows Related to Investing Activities			
1.8	Payment for purchases of:		
	(a) prospects	(1,050)	(1,750)
	(b) equity investments	-	-
	(c) other fixed assets	(56)	(83)
	(d) capital upgrade to assets	-	(298)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	104	104
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing Cash Flows</b>		<b>(1,002)</b>	<b>(2,027)</b>
<b>1.13</b>	<b>Total Operating and Investing Cash Flows</b>	<b>(2,917)</b>	<b>(5,695)</b>

		Current Quarter \$A'000	Year to Date (6 months) \$A'000
1.13	<b>Total Operating and Investing Cash Flows (Carried Forward)</b>	(2,917)	(5,695)
<b>Cash Flows Related to Financing Activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	705	5,051
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(2)
<b>Net Financing Cash Flows</b>		<b>705</b>	<b>5,049</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>(2,212)</b>	<b>(646)</b>
1.20	Cash at beginning of quarter/year to date	2,737	1,230
1.21	Exchange rate adjustments to item 1.20	(63)	(122)
1.22	<b>Cash at end of quarter</b>	<b>462</b>	<b>462</b>

**Payments to Directors of the Entity, Associates of the Directors, Related Entities of the Entity and Associates of the Related Entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	76
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, corporate advisory and consulting fees at normal commercial rates		

**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
	-
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
	-

### Financing Facilities Available

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

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

### Estimated Cash Outflows for Next Quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	-
4.3	Production	5,021
4.4	Administration	793
4.5	Contract Services	76
4.6	Staff Costs	2,561
<b>Total</b>		<b>8,451</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.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	462	2,737
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>462</b>	<b>2,737</b>

### Changes in Interests in Mining Tenements and Petroleum Tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements and petroleum 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 (see note 3)	Amount paid up per security (see note 3)
7.1	<b>Preference <sup>+</sup>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>	268,894,893	268,894,893	-	-
7.4	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	<b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b> <i>(description and conversion factor)</i>	-	-	-	-
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		



## 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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Non-Executive Director

Date: 30<sup>th</sup> January 2015

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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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The CFO Solution

30 January 2015