

COMPANY ANNOUNCEMENT

VARIATION OF AGREEMENT WITH SAEDF

PRODUCTION UPDATE

**Tuesday, 12<sup>th</sup> September 2006**

Variation of Agreement With SAEDF

The company is pleased to announce that it has reached agreement with the South African Export Development Fund ("SAEDF") to vary the terms under which the company had previously agreed to purchase the controlling interest in the Mogale Gold Project. The initial agreement between SAEDF and Mintails involved the cancellation of SAEDF's debt to Mogale Gold (Pty) Ltd of R63 million (approx. AUD 12.6m at prospectus date) in exchange for the allotment of 17.5m shares in Mintails (to be escrowed until 23 December 2007) and a deferred payment of R30 million (approx. AUD 5.4 million) to be paid out of profits commencing 5 years from 23 December 2005.

Mintails has now successfully renegotiated this arrangement to provide a major benefit for the company. SAEDF has agreed to cancel its rights to the allotment of the proposed 17.5 million shares and forego the deferred payment of the R30 m debt in favour of:

- A cash payment of R 10 million (approx. AUD \$1.8m);
- Allotment of 10 million non-transferable options exercisable at 30 cents within 3 years; and
- Allotment of 7.5 million non-transferable options exercisable at 50 cents within 3 years;

The result of this transaction provides a net benefit to Mintails of AUD 8.3m being the difference between the value of the 17.5m shares (AUD 4.5m) and the cancellation of the deferred debt (AUD 5.6m) less the cash payment to SAEDF of AUD 1.8 million.

Gold Production

As previously announced the company is anticipating lower than average monthly production for the first quarter of the 2006 financial year as a result of the company processing a lower grade section of the resource. This was predicted and is integrated in accordance with the company's mining plan. During the month Mintails also encountered some interruptions to production associated with breakages in an older section of the slurry pipeline. This section was not previously replaced during the recommissioning phase and the company has now instituted action to upgrade this component to ensure continuity of the slurry flow.

Mintails management have reported that all other sections of the Mogale Gold plant are performing to specifications and that the head grade of the CAMs sands tailings and the slimes tailings at Luipaardsvlei are consistent with expectations. The upgrade to the pipeline is expected to be completed by November which should enable full production to be achieved without disruption. The company is operating in accordance with its existing mining plan and remains on course to deliver proposed annual gold production of 42,500 ounces per annum.

The company has also initiated further resource drilling designed to upgrade a large proportion of the existing tailings materials to a JORC measured category.

In line with Mintails' stated objectives the company is continuing to pursue discussions and negotiations aimed at significantly increasing both the company's scale of activities and total gold production.

For and On Behalf Of The Board



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Chairman

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