

Tanami Gold NL (TAM) \$1.07

Recommendation: Buy

Analyst: Simon Tonkin & Rhys Bradley

Tel: (+61 8) 9225 2816

Solid June Q: TAM Reaches FY2011 Production Target

Investment Highlights

TAM met its FY2011 production target of 40,000oz of gold. Total cash costs were in-line at \$807/oz vs our est. of \$840/oz. TAM is aiming to reduce operating costs and efficiencies through: 1) trialing a new mining method 2) larger trucks 3) installation of a new cone crusher 4) scoping study on Bald Hill/Kookaburra. In addition, a number of drill targets at Coyote are expected to be followed up in Sept/Dec quarters. This offers excellent potential to continue to extend that mineralization. TAM remains our top pick in the domestic gold space retain BUY rating target price increases to \$1.95/sh (from \$1.79/sh) due to higher gold prices.

- **Record Production from WTO:** TAM reported record production from its Western Tanami Operation (WTO) of 14,391oz of gold for the June quarter. This brings total production for FY2011 to 40,542oz.
- **Groundrush Drilling Continuing:** TAM reiterated its previous positive drilling results below the Groundrush pit with 7 holes awaiting assay with visible gold. This has been the focus at the Central Tanami Project (CTP). TAM is also drilling underground at Coyote with a second u/g focusing on a number of targets.
- **Scoping Study Underway at Bald Hill:** TAM has commenced a scoping study to determine if a second underground operation at WTO can be established at Bald Hill; underground mining the extension to the Kookaburra pit. This is expected to be completed in the Dec Q.
- **CTP Study on Target for October:** TAM is on target to deliver its feasibility study on the CTP in October. The study is the key value driver for the company where it aims to increase production to over 100kozpa by mining some of its 2.3Moz resource base (75% of which is in the CTP) and increase total company production to over 200kozpa.
- **Catalysts:** 1) Ongoing Drill Results. 2) Sept Q Updated Resource/Reserve estimate for Groundrush. 3) October CTP Feasibility Study. 4) December Q Scoping Study Bald Hill.

Simon Tonkin

Senior Resources Analyst

D: +61 8 9225 2816 | **M:** +61 400 761 382 | **F:** +61 8 9421 1335 | **E:** STonkin@psl.com.au | **W:** www.psl.com.au

Patersons Securities Limited AFSL No. 239 052

Level 23, Exchange Plaza, 2 The Esplanade PERTH WA 6000

GPO Box W2024, Perth, WA 6846