

Tanami Gold NL (TAM) \$1.03/sh

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Recommendation: Buy

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Event

- Tanami Gold (TAM) has released results from a further four new holes (GRDD 28, 31, 15, 24) below its Groundrush pit located within the Central Tanami Project (CTP) with the confirmation of a new footwall lode.

Highlights include:

- 18.0m at 8.0g/t Au from 289.9m – GRDD28;
 - 10.1m at 9.1g/t Au from 258.5m – GRDD31;
 - 2.7m at 59.6g/t Au from 183.7m – GRDD31;
 - 4.9m at 6.0g/t Au from 301m – GRDD31 (footwall)
 - 0.4m at 220g/t Au from 323m – GRDD24; and
 - 2.4m at 6.8g/t Au from 325m - GRDD15
- TAM has completed a total of 38 holes since April defining the mineralization along 700m of strike and just under 100m below the bottom on the existing pit. The mineralisation remains open at depth along the 1.5km strike of the Groundrush deposit. TAM aims to include the Groundrush drilling to calculate a new resource estimate to be used in the CTP feasibility. Currently TAM has a resource of 2.3Moz for its Western Tanami Operations (WTO) and Central Tanami Project (CTP).

Impact

- Shaping Up:** These drill results from Groundrush continue to build a strong picture for its development, they are consistent and thick. The positive to come out of this release is the TAM has intersected footwall mineralization which provides potential to find additional mineralisation. TAM has drilled a total of 38 holes at Ground Rush with an additional 5 holes pending assays many of which have intersected visible gold. Based on the **700m strike length we estimate potential for approximately 500koz** Au. The drill rig has moved to the Hurricane-Repulse pit while TAM interprets the results to go into an updated resource estimate to be used in the CTP feasibility. A second rig is expected to arrive within the next 2-4 weeks to continue drilling at Groundrush. TAM also has two underground rigs operating at Coyote at the Western Tanami Operation.
- Attractive on EV/oz Basis:** TAM continues to remain attractive on a EV/resource oz basis trading at \$124/oz compared to its peers at \$177/oz. Based on the reserve TAM trades at \$725/reserve oz vs peers at \$381/oz this indicates that with continued drilling there is excellent potential to convert resources into reserves.
- Catalysts:** TAM remains on target for completion of the CTP feasibility study by October and production by mid-2012.
- We maintain our BUY recommendation.\$1.95/share price target.

Figure 1 – Groundrush pit - Long Section

