

## TANAMI GOLD NL

### Wide-High-Grade Zones Extending Groundrush

Tanami Gold NL ("Tanami", "Company", "TAM") continues to intersect outstanding high-grade mineralisation at the Company's flagship Groundrush deposit, Central Tanami Project (CTP), NT.

The latest results from resource drilling, which aims to improve a significant proportion of the resource categories (increase Measured and Indicated resources) and extend mineralisation, has intersected more wide zones of high-grade mineralisation in multiple holes. Some of the most recent drill highlights include 30.1m @ 9.0g/t Au (including 5.6m @ 21.9g/t Au and 10.4m @ 12.6g/t Au) from 328.6m; 31.7m @ 4.7 g/t Au from 276m; and 24.0m @ 3.0g/t Au from 249m (including 11.5m @ 4.2g/t Au). Results also include zones (3m and 5m drill widths) grading over 17g/t Au and 21g/t Au, well above the average resource grade for Groundrush of 4.5g/t Au.

### Next Resource Upgrade Late CY2012/Early CY2013

Tanami recently updated the resource estimate for Groundrush to 5.1Mt @ 4.5g/t Au for 743Koz gold. The deposit remains open along strike and at depth and is located ~40km north of the Central Tanami processing infrastructure, which Tanami plans to refurbish and upgrade to 1.5mtpa for an estimated capex of ~A\$35m. The historic open pit at Groundrush produced over 600Koz gold over three-years at a good recovered grade of 4.3g/t Au, which correlates well with the current resource grade (4.5g/t Au), with gold tenor increasing (in parts) at depth. Drilling at Central Tanami and in particular at Groundrush is ongoing with the Company planning to release another resource upgrade in late CY2012/early CY2013. On the current schedule Tanami expects to release the Central Tanami DFS by April 2013.

### More Prospective Dolerite Horizons to Test

In addition to the solid resource infill results at Groundrush, Tanami recently received positive results from first pass RC on a large quartz vein at the southern end of the deposit. Results included 7m @ 13.8g/t Au (including 2m @ 45.5g/t Au) from 127m and 7m @ 4.4g/t Au (including 2m @ 11.9g/t Au) from 186m. Recently completed follow-up drilling, up-plunge intersected more vein hosted mineralisation, including 1m @ 38g/t Au from 74m and 1m @ 16.3g/t Au from 117m. These results open up the potential for the multiple surrounding dolerites to host gold mineralisation with over 1.5km of prospective dolerite to test in the immediate area alone. Tanami has results pending for several completed holes and drilling is ongoing.

### Central Tanami Feasibility Study Now Due Late Q1 CY2013

Tanami produced over 41Koz gold in FY'12 from the Western Tanami Operations, and is targeting 40-50Koz gold in FY'13, with initiatives in place to improve cash costs. Significant growth potential exists in bringing Central Tanami into production which is expected to provide an additional 120-160Kozpa within 2 years.

We continue to recommend Tanami as a Speculative Buy, with a risk-weighted, fully diluted (including assumed new capital for project development) valuation of \$1.38/share and 12-month price target of \$1.49/share. At current spot gold prices and exchange rates our valuation of the Company is \$2.05/share. Key risks include commodity price volatility, managing debt, funding project development (CTP) and sustaining capital.

10 Sep 2012

Share Price	\$0.910
Valuation	\$1.38
12Mth Price Target	\$1.49

#### Brief Business Description:

Gold developer/producer

#### Hartleys Brief Investment Conclusion

Groundrush adding scale to the Central Tanami Project with 200koz pa targeted from two production centres from early 2014.

#### Chairman & Executive Director

Arthur Dew (Non-Exec Chairman)  
 Denis Waddell (Exec Director)

#### Top Shareholders

Allied Properties Resources Limited	23.5%
Sun Hung Kai Investment Services	10.7%

#### Company Address

Level 4 50 Colin Street  
 West Perth WA 6005

Issued Capital	261.1m
- fully diluted (ITM options)	263.3m

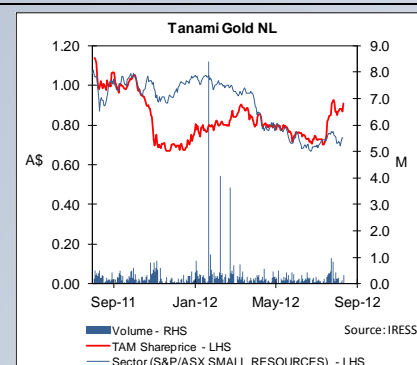
Market Cap	\$237.6m
- fully diluted (ITM options)	\$239.6m

Cash - est	\$5.6m
Debt - est	\$33.4m

EV	\$265.4m
EV/Resource Oz	\$94/oz
EV/Reserve Oz	\$660/oz

	FY11a	FY12e	FY13e
Prod Sold (Koz Au)	41	40	45
Op Cash Flw	11.7	10.2	27.5
Profit	1.1	-4.4	0.8
CF/Share (cps)	7.9	2.2	6.6
EPS (cps)	0.4	-6.6	0.2
P/E	244	-14	381

Resources (Moz Au)	2.82
Reserves (Moz Au)	0.40



#### Author:

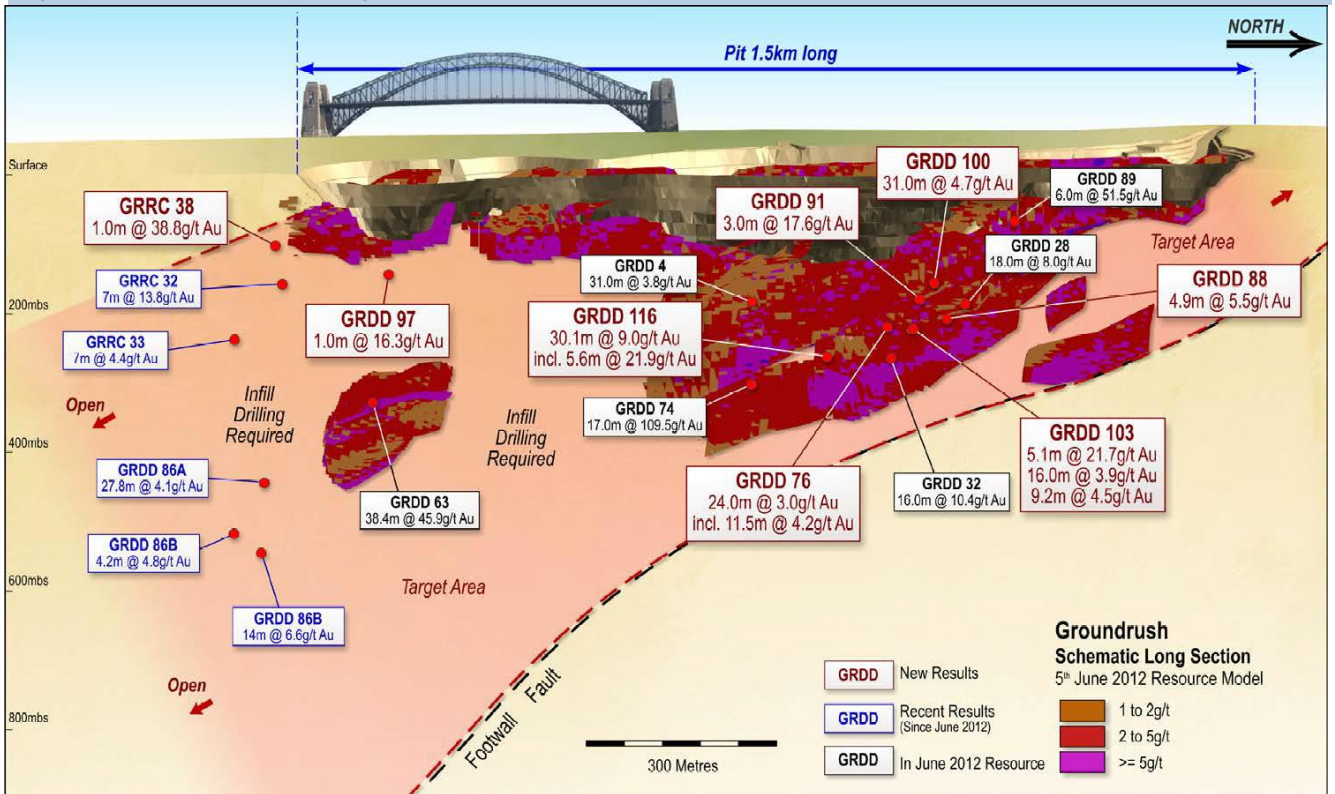
Mike Millikan  
 Resources Analyst  
 Ph: +61 8 9268 2805  
 E: mike\_millikan@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Tanami Gold NL. A director of Hartleys has a beneficial interest of >1% in TAM shares. See back page for full disclosure.

## SUMMARY MODEL

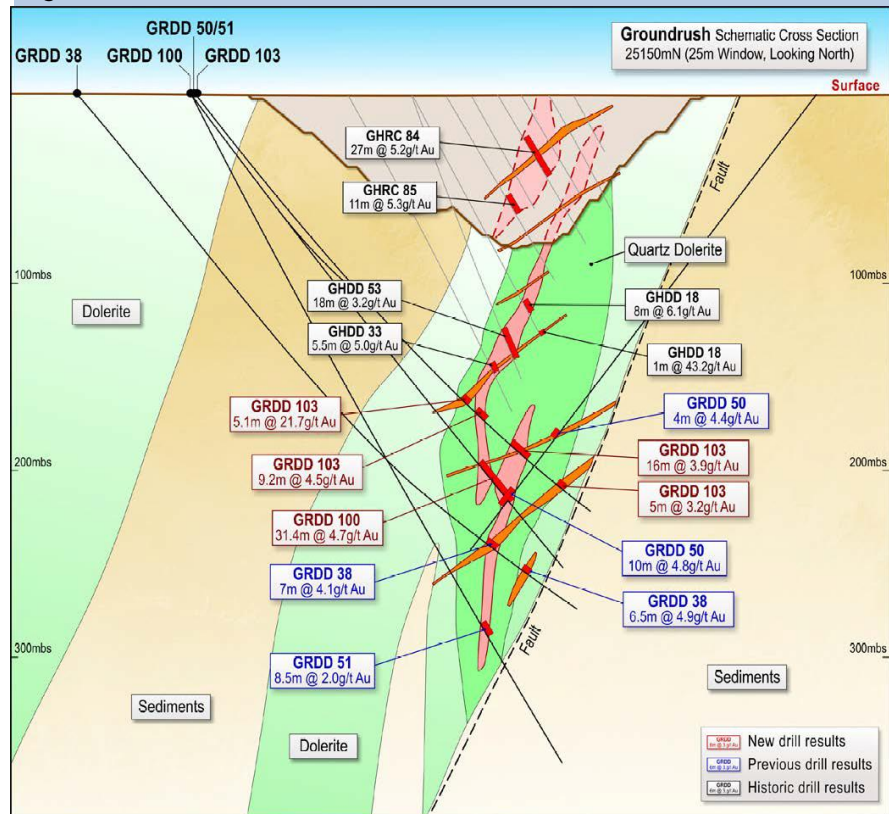
Tanami Gold NL		Share Price			
TAM		\$0.910			
<b>Key Market Information</b>					
Share Price		\$0.910			
Market Capitalisation		\$238m			
52 Week High-Low		\$1.14-\$0.67			
Issued Capital		261.1m			
Issued Capital (fully diluted inc. ITM options)		263.3m			
Issued Capital (fully diluted, options, new capital)		341.5m			
Options		5.34m@A\$1.08			
Hedging		None			
Yearly Turnover/Volume		\$75.2m/81.0m shares			
Liquidity Measure (Yearly Turnover/Issued Capital)		30%			
Valuation		\$1.38			
12Mth Price Target		\$1.49			
<b>Financial Performance</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Net Revenue	A\$m	59.5	81.7	72.4	139.3
Total Costs	A\$m	(41.1)	(74.6)	(47.2)	(80.1)
EBITDA	A\$m	18.4	7.1	25.2	59.2
Depreciation/Amort	A\$m	(19.6)	(23.0)	(20.3)	(22.2)
EBIT	A\$m	(1.1)	(15.9)	4.9	36.9
Net Interest	A\$m	2.1	(1.4)	(4.1)	(5.2)
Pre-Tax Profit	A\$m	0.97	(17.3)	0.8	31.7
Tax Expense	A\$m	-	-	-	-
NPAT	A\$m	0.97	(17.3)	0.8	31.7
Abnormal Items	A\$m	0.1	13.0	-	-
Reported Profit	A\$m	1.07	(4.4)	0.8	31.7
<b>Financial Position</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Cash	A\$m	6.7	2.8	7.6	29.4
Other Current Assets	A\$m	14.0	15.5	15.1	19.0
Total Current Assets	A\$m	20.8	18.4	22.7	48.5
PP&E + Development	A\$m	32.5	29.9	31.7	105.4
Exploration	A\$m	49.5	70.0	72.0	72.0
Investments/other	A\$m	23.8	16.9	16.9	16.9
Tot Non-Curr. Assets	A\$m	105.8	116.8	120.6	194.3
Total Assets	A\$m	126.6	135.2	143.3	242.8
Short Term Borrowings	A\$m	(22.9)	-	-	-
Other	A\$m	(15.9)	(9.0)	(8.4)	(13.7)
Total Curr. Liabilities	A\$m	(38.8)	(9.0)	(8.4)	(13.7)
Long Term Borrowings	A\$m	(0.1)	(27.5)	(0.4)	(50.0)
Other	A\$m	(4.7)	(4.6)	(4.6)	(4.6)
Total Non-Curr. Liab.	A\$m	(4.8)	(32.1)	(5.0)	(54.6)
Total Liabilities	A\$m	(43.5)	(41.1)	(13.4)	(68.3)
Net Assets	A\$m	83.1	94.1	129.9	174.5
<b>Cashflow</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Operating Cashflow	A\$m	11.7	10.2	27.5	61.5
Income Tax Paid	A\$m	-	-	-	-
Interest & Other	A\$m	(2.4)	(1.4)	(4.1)	(5.2)
Operating Activities	A\$m	9.4	8.8	23.4	56.3
PP&E + Development	A\$m	(22.9)	(24.9)	(24.0)	(84.0)
Exploration	A\$m	(19.9)	(16.1)	(16.0)	(12.0)
Investments	A\$m	2.9	27.9	-	-
Investment Activities	A\$m	(39.9)	(13.1)	(40.0)	(96.0)
Repayment of Borrowings	A\$m	(53.3)	(24.0)	(27.1)	(7.5)
Proceeds of Borrowings	A\$m	23.3	26.7	-	50.0
Equity	A\$m	60.7	-	51.0	20.0
Dividends Paid	A\$m	-	-	-	-
Financing Activities	A\$m	30.8	0.4	21.4	61.5
Net Cashflow	A\$m	0.3	(3.9)	4.8	21.8
<b>Ratio Analysis</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Cashflow Per Share	A¢	7.9	2.2	6.6	15.8
Cashflow Multiple	X	11.5	42.0	13.9	5.8
Earnings Per Share	A¢	0.4	(6.6)	0.2	9.3
Price to Earnings Ratio	X	244.2	(13.7)	380.9	9.8
Dividends Per Share	A¢	-	-	-	-
Dividend Yield	%	-	-	-	-
Net Debt / Equity	%	0.2	0.3	na	0.1
Interest Cover	X	0.5	na	1.2	7.1
Return on Equity	%	1%	na	1%	17%
<b>Directors</b>					
Arthur Dew (Non-Exec Chairman)		Level 4 50 Colin Street			
Denis Waddell (Exec Director)		West Perth WA 6005			
Lee Seng Hui (Non-Exec Director)		Tel: + 61 8 9212 5999			
Alan Senior (Non-Exec Director)		Fax: + 61 8 9212 5900			
Lyle Procter (Non-Exec Director)		Web: w w w .tanami.com.au			
<b>Company Information</b>					
<b>Top Shareholders</b>					
		m shares		%	
Allied Properties Resources Limited		61.4		23.5%	
Sun Hung Kai Investment Services		27.9		10.7%	
<b>Reserves &amp; Resources</b>					
	Gold	Mt	g/t Au	Koz	Attrib.
<b>Reserves</b>					
Western Tanami		0.78	5.3	133	133
Central Tanami		2.04	3.4	221	221
Sub Total		2.82	3.9	354	354
Central Tanami Stockpile		1.70	0.9	48	48
Total	Mar-11	4.52	2.8	402	402
<b>Resources</b>					
Western Tanami		3.01	5.4	538	538
Central Tanami		22.82	3.1	2,238	2,238
Sub Total		25.92	3.3	2,776	2,776
Central Tanami Stockpile		1.70	0.9	48	48
Total	Sep-11	27.62	3.2	2,824	2,824
<b>Production Summary</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Mill Throughput	Mtpa	0.23	0.26	0.23	0.60
Payable Gold - Prod	000oz	40.5	41.2	44.6	84.0
Payable Gold - Sold	000oz	41.4	40.3	44.6	84.0
Cost per milled tonne	A\$/t	162	156	185	126
EBITDA / tonne milled ore	A\$/t	80	27	111	99
C1: Op Cash Cost = (a)	A\$/oz	910	1002	940	897
(a) + Royalty = (b)	A\$/oz	947	1054	981	938
C2: (a) + Dep & Am = (c)	A\$/oz	1393	1560	1395	1161
(a) + development = (d)	A\$/oz	1512	1479	1422	1181
C3: (c) + Royalty	A\$/oz	1430	1612	1435	1203
(d) + Royalty	A\$/oz	1549	1531	1462	1223
<b>Price Assumptions</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Gold	US\$/oz	1398	1613	1704	1731
Exchange Rate	A\$/US\$	1.00	1.01	1.05	1.05
\$A Gold	A\$/oz	1398	1594	1623	1648
<b>Hedging</b>					
	Unit	FY2011A	FY2012F	FY2013F	FY2014F
Total Forward Sales - Gold	000oz	-	-	-	-
Forward Gold Price	A\$/oz	-	-	-	-
<b>Sensitivity Analysis</b>					
	Valuation (\$/s)	NPAT	EPS (¢)	CFPS (¢)	
Base Case	1.38	0.8	0.2	6.6	
Exchange Rate +10%	1.06	-5.9	-1.8	4.5	
Exchange Rate -10%	1.76	8.9	2.8	9.1	
Gold Price +10%	1.72	8.1	2.5	8.8	
Gold Price -10%	1.03	-6.6	-2.1	4.3	
Operating Costs +10%	1.18	-3.5	-1.1	5.2	
Operating Costs -10%	1.58	5.0	1.6	7.9	
*N.B. NPAT, EPS, CFPS forecasts are for FY2013					
<b>Share Price Valuation at Spot</b>					
		Est. \$/share			
Gold: US\$1,737/oz, AUDUSD: 1.036		699.5		2.05	
<b>Share Price Valuation (NAV)</b>					
		Est. \$m	*Est. \$/share		
Western Tanami (NPV @ 8%)		73.1	0.21		
Central Tanami (NPV @ 12%) - risk w eighted Exploration		324.5	0.95		
- 160m ABM sh (ABU.asx) @ 4.8		7.7	0.02		
- Other Exploration (WTP & CTP)		60.0	0.18		
Cash		5.6	0.02		
Forwards		0.0	0.00		
Corporate Overheads (NPV @ 3%)		(19.9)	(0.06)		
Total Debt-est.		(33.4)	(0.10)		
Tax Losses		49.5	0.14		
Options & Other Equity		5.8	0.02		
Total		472.8	1.38		
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Sources: IRESS, Company Information, Hartleys Research					
Last Updated: 10/09/2012					

Fig. 1: Groundrush – Long Section - Latest Drill Results



Source: Tanami Gold NL

Fig. 2: Groundrush – Cross Section - Latest Drill Results



*If the plunging mineralised shoots can replicate a fraction of the main lode then we estimate potential for another 1Moz to be conservatively added over time (for a +2Moz ore-body)*

Source: Tanami Gold NL

## Tanami Gold Valuation

*Updated Western Tanami and Central Tanami models*

*Our sum of parts valuation for TAM is \$1.38 per share*

*Our 12-month price target is \$1.49 per share*

Our updated sum of parts valuation for Tanami is \$1.38 per share. Our valuation is dominated by our revised Western Tanami DCF<sub>8</sub> valuation of 21cps (~A\$73m) and updated Central Tanami DCF<sub>12</sub> valuation of 95cps (~A\$325m).

The changes to our updated Central Tanami model include timing to first production (now expected early to mid CY2014), increase in forecast pre-production capital costs (now estimated to be A\$75m (we now model through A\$80m)) and average production (starting at 120Kozpa, ramping up to 160Kozpa) over an initial 10 year mine life (assumed resource conversion to reserves of ~70%). The Central Tanami resource is over 2.3Moz of which the flagship Groundrush deposit currently contributes ~743Koz. The Groundrush deposit remains open deposit remains open along strike and at depth, with significant resource growth expected before the re-start of operations. We see our valuation increasing over time, as the project is continues to be de-risked. Our Central Tanami model has been fully diluted for new capital and assumes a Debt to Equity mix of 75:25 (D:E).

Our recently updated our commodity price assumptions which have had a slight impact on our updated models. Our 12-month price target is now \$1.49 per share, as detailed in Fig.3.

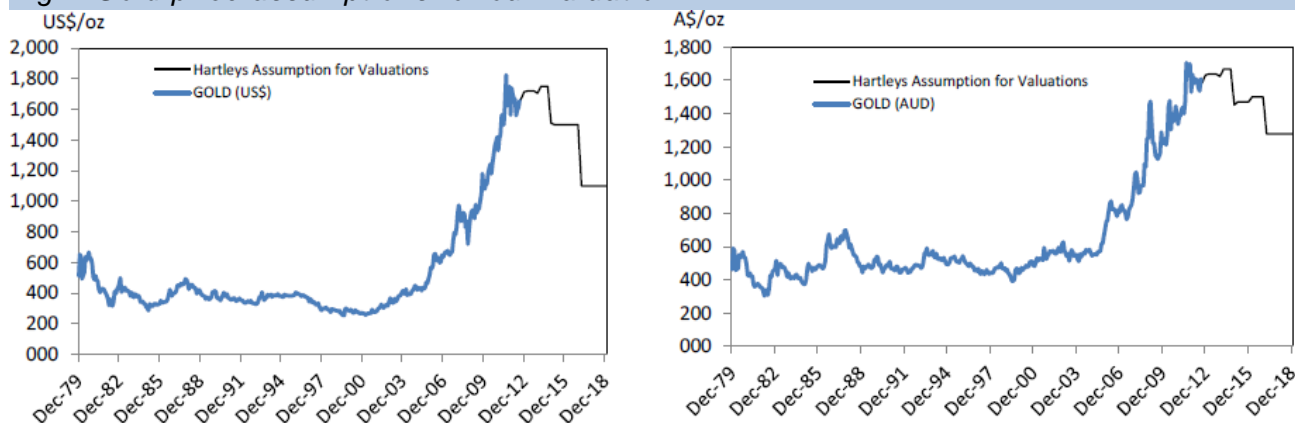
Key risks for Tanami include managing the debt position (for capital and development requirements), expanding and converting its resource base to reserves from multiple deposits and funding the growth aspirations of the Company through the establishment of a second production centre (Central Tanami). Other risks include commodity price, development and ore-body risks. Our key assumption risks for the Central Tanami valuation are detailed in Fig.5.

**Fig. 3: Price Target Methodology**

Price Target Methodology	Weighting	10/09/2012	12 mth out
NPV base case	65%	\$1.38	\$1.45
NPV base case at spot commodity and fx prices	25%	\$2.05	\$2.05
CTP not developed/commodity prices falls	8%	\$0.43	\$0.43
Net Cash Backing	2%	\$0.00	\$0.00
<b>Risk weighted composite</b>		<b>\$1.45</b>	
<b>12 Months Price Target</b>		<b>\$1.49</b>	
Shareprice - Last		\$0.910	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>64%</b>	

Source: Hartleys Estimate

**Fig. 4: Gold price assumptions for our valuation**



Source: Hartleys Estimates, IRESS

**Fig. 5: Key assumptions and risks for valuation (\$1.38 per share)**

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
No assumed growth in the Groundrush deposit size	Low-Med	Low	Our Central Tanami model only uses the current reserve and resource for Central Tanami, it is yet to factor in the resource growth over time for Groundrush.
Funding for ongoing exploration/DFS	Low-Med	High	TAM's current debt position and relatively low cash position will need to be managed. Allied Group (major shareholder and debt provider) has taken a more active role in the Company (increased board positions) which possibly indicates ongoing funding if so required, will be made available.
Funding for project development	Low-Med	Extreme	Capital markets currently appear difficult. TAM continues with improving the confidence of the Groundrush and other Central Tanami resources which should provide robust FS numbers which should be bankable. With ongoing major shareholder support funding risk for project development may be mitigated somewhat.

*Conclusion*

*At this stage we consider the assumptions have a low to medium risk of not being achieved. The gap between share price and valuation, as well as being market related, may be due to board restructuring, delays in delivering the FS and the uncertainty around development funding.*

Source: Hartleys Research

# HARTLEYS CORPORATE DIRECTORY

## Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
Ben Crowley	Resources Analyst	+61 8 9268 3045
David Wall	Energy Analyst	+61 8 9268 2826
Peter Gray	Research Analyst	+61 8 9268 2837
Janine Bell	Research Assistant	+61 8 9268 2831

## Corporate Finance

Grey Egerton-Warburton	Head of Corp Fin.	+61 8 9268 2851
Richard Simpson	Director – Corp. Fin.	+61 8 9268 2824
Paul Fryer	Director – Corp. Fin.	+61 8 9268 2819
Dale Bryan	Director – Corp. Fin.	+61 8 9268 2829
Ben Wale	Snr Mgr – Corp. Fin.	+61 8 9268 3055
Ben Crossing	Snr Mgr – Corp. Fin.	+61 8 9268 3047
Stephen Kite	Snr Mgr - Corp. Fin.	+61 8 9268 3050
Scott Weir	Mgr - Corp Fin.	+61 8 9268 2821

## Registered Office

### Level 6, 141 St Georges Tce Postal Address:

Perth WA 6000 GPO Box 2777  
Australia Perth WA 6001  
PH: +61 8 9268 2888 FX: +61 8 9268 2800  
www.hartleys.com.au info@hartleys.com.au

*Note: personal email addresses of company employees are structured in the following manner:  
firstname\_lastname@hartleys.com.au*

## Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a “Buy”. Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a “Buy”.
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Chris Chong	+61 8 9268 2817
Simon Andrew	+61 8 9268 3020
Veronika Tkacova	+61 8 9268 3053

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Bradley Knight	+61 8 9268 2823
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Damir Mikulic	+61 8 9268 3027
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom	+61 8 9268 2868
Brenton Reynolds	+61 8 9268 2866
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Jayne Walsh	+61 8 9268 2828
Marlene White	+61 8 9268 2806
Samuel Williams	+61 8 9268 3041

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