

## **Tanami Gold Ltd (TAM.ASX; \$0.82/share; Mkt Cap \$214m) – Operational Update. Initial Thoughts.**

### **Event:**

- TAM have announced the Western Tanami Operations have returned to full operational mode following suspension of Bald Hill open pit mining caused by heavy rains, with fuel and freight deliveries returning to normal.
- Exploration success continues at Central Tanami with new intersections of broad zones of mineralisation below the Groundrush open pit.

### **Key result details:**

- Open pit operations are back to normal at Western Tanami along with the Coyote treatment plan operating at full capacity. Stage 1 upgrade is now achieving target 350,000tpa throughput with recoveries of 98%.
- Central Tanami near-mine exploration at the Groundrush open pit has intersected broad zones of mineralisation 200m below the base of the pit indicating open mineralisation along strike and depth.

### **Analysis:**

- TAM's announcement on 16 March outlined heavy rainfall had caused the suspension of operations from the Bald Hill open pit, however, mining continued at the Coyote underground operation. Based on the impact to open pit ore and treatment rates, management have advised likely gold production for the March quarter is likely to be ~8,000oz, below our forecast of ~10,000oz.
- Importantly, the Stage 1 Upgrade has been successful with the plant now operating at 350,000tpa throughput capacity with average recoveries at 98%, ahead of our modelling of 95%. We await further announcements on the timing of the proposed Stage 2 Upgrade, increasing capacity to 500,000tpa.
- Exploration activity at Central Tanami continues to show success intercepting broad zones of mineralisation below historical open pits. TAM advises the first two deep diamond holes at Groundrush have both intercepted broad zones of mineralisation 200m below the base of the existing pit with assays awaiting results. Recent exploration activity focused on identifying mineralisation below the Hurricane-Repulse pit with mineralised zones intersected with high grade intercepts of 14m @ 3.9 g/t from 396m, including 7.1m @ 5.9 g/t. The Groundrush open pit was one of the highest performing pits from the portfolio acquired from Newcrest, producing 600,000oz at a rate of 5,000 ounces per vertical metre. Management are confident high grade mineralisation below the historical pits will deliver considerable high grade tonnage to feed the refurbished treatment facility.
- Regional exploration activity is also now underway with a RC program targeting high priority areas within trucking distance to Central's treatment facility. All three target areas have previously identified high grade mineralisation from historic RAB drilling: Gallifrey (22 metres @ 8.5g/t Au), Marlina (16 metres @ 16.1g/t

Au) and Dolphin (4 metres @ 32.8g/t Au). Discovery of new regional prospects will become an important input to the Feasibility Study underway for the refurbishment and recommencement of a 1.5Mtpa operation at Central. We now expect completion of the Feasibility to be pushed back to early Q4CY11 due to delays in resource drilling as a result of the heavy rains.

- We estimate the CY11 exploration budget at Central to be ~\$10m, delivering at least 500,000-1,000,000oz of new resources to support the re-start of operations in 2012.
- Next catalyst remains the impending Reserve statement for Central due late April or early May.

**Recommendation: BUY, PT \$1.60.**

**Disclaimer & Disclosure of Interests.** Foster Stockbroking Pty Limited has prepared this report. This document contains general securities advice only. In preparing the report, Foster Stockbroking did not take into account the specific investment objectives, financial situation or particular needs of any specific recipient. The report is published only for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Foster Stockbroking is not aware that a recipient intends to rely on this report and is not aware of the manner in which it will be used by the recipient.

Investors must obtain personal financial advice from their investment advisor to determine whether the information contained in this report is appropriate to the investor's financial circumstances. Recipients should not regard the report as a substitute for the exercise of their own judgment.

The views expressed in this report are that of the analyst named on the cover page, and no part of compensation of the analyst is directly related to inclusion of specific recommendations or views in this report. The analyst receives compensation partly based on Foster Stockbroking revenues, including any investment banking and proprietary trading revenues, as well as performance measures such as accuracy and efficacy of both recommendations and research reports.

Foster Stockbroking believes that the information contained in this document is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of its compilation in an honest and fair manner that is not compromised. However, no representation or warranty is made as to the accuracy, completeness or reliability of any estimates, opinions, conclusions or recommendations (which may change without notice) or other information contained in this document and, to the maximum extent permitted by law, Foster Stockbroking disclaims all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from this document. Foster Stockbroking is under no obligation to update or keep current the information contained herein and has no obligation to tell you when opinions or information in this report change. Foster Stockbroking, and its directors, officers and employees or clients may have or had interests in the securities of the instruments referred to herein, and may make purchases or sales in them as principal or agent at any time and may effect transactions which may not be consistent with the opinion set out in this report. Foster Stockbroking and its Associates state that they may earn brokerage, fees or other benefits from securities referred to in this report. Furthermore, Foster Stockbroking may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to the relevant company.

**Specific disclosure:** The analyst, Foster Stockbroking and/or associated parties have beneficial ownership or other interests in securities issued by TAM at the time of this report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing the report and making the recommendation.