

TANAMI GOLD NL

Central Tanami DFS Delayed, More Drilling Required

Tanami Gold NL ("Tanami", "Company", "TAM") recently decided to delay the mine development decision for the Central Tanami Project, Northern Territory. Tanami's board resolved that further drilling at Groundrush would be required before the Central Tanami Definitive Feasibility Study (DFS) could be released, as the deposit remains open in all directions and the true size of the deposit is yet to be realised. Though the delay is disappointing, we do, however, see the decision to drill-out the Groundrush deposit as a sensible one that should provide the level of detail needed for an upgradeable DFS and more informed decision on mining.

Groundrush drilling targeting high-grade zones

Tanami has already commenced with more drilling at Groundrush. The current drilling is designed to target potential high-grade gold zones that will add significant ounces to the mineral resource estimate. Latest results from two completed holes within the footwall zone of the deposit include **3.0m @ 32.1g/t Au** from 48m and **3.0m @ 32.2g/t Au** from 121m. Encouragingly visible gold has been identified in a further 4 holes completed, with assays pending. Tanami also reported a very high-grade, narrow intercept in the hanging-wall position of the Main Lode with **0.45m @ 1,230g/t Au** from 264m. The current Groundrush resource estimate is 535Koz at a grade of 4.6g/t Au. Drilling has been accelerated with the arrival of a second drill rig.

Further drill information at Groundrush will determine the most appropriate locations for decline(s) and the optimal mining method to be employed. The Central Tanami mill requires a small amount of refurbishment to bring back on line (capex of ~A\$25m). However, if Groundrush continues to grow as expected a mill upgrade may be warranted.

Major Board Restructuring; Allied Group a More Active Role

Tanami recently announced a major board restructuring. Current Allied Group (TAM's largest shareholder) Chairman Mr Arthur Dew has been appointed as the new Chairman (non-exec), with former Chairman Mr Denis Waddell assuming a Deputy Chairman role. Mr Graeme Sloan has resigned his position as MD/CEO and a new director (non-exec) Mr Lyle Procter has been appointed. Mr Procter is an independent director of Sun Hung Kai & Co and Allied Overseas Limited. Tanami currently has ~A\$31m in debt, owed to the Allied Group and with the major shareholder now taking a more active role in the strategic direction of the Company.

New risked Valuation and Price Target; Accumulate

Groundrush continues to prove-up as a significant deposit, it remains open down plunge, down dip and at depth, with potential for mineralised repetitions. Though drilling has been accelerated, we remain uncertain on how long the Company plans to drill-out the deposit. With the release of the Central Tanami DFS now delayed, it is unlikely that production will commence in CY2012 as previously forecast. We have adjusted our preliminary Central Tanami NPV₁₄ valuation, which is now \$1.64 from \$1.91.

We maintain our Accumulate recommendation for the Company, though we have increased our short-term to medium-term risk outlook, given the debt position, delays in getting the second production centre into development, funding risk and board restructuring. Our 12-month price target is \$1.56.

21 Dec 2011

Share Price	\$0.69
Valuation	\$1.64
12Mth Price Target	\$1.56

Brief Business Description:

Gold developer/producer

Hartleys Brief Investment Conclusion

Acquisition of the Central Tanami Project set to re-invent company with 200koz pa targeted.

Chairman & MD

Arthur Dew (Non-Exec Chairman)

Denis Waddell (Deputy Chairman)

Top Shareholders

Allied Properties Resources Limited	23.5%
Sun Hung Kai Investment Services	12.6%

Company Address

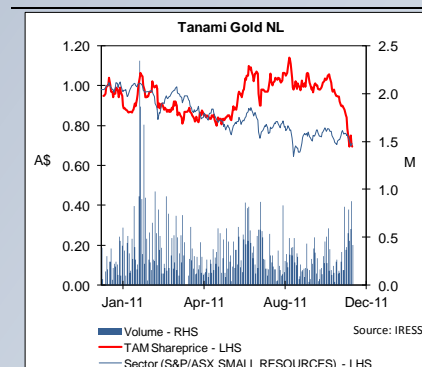
Level 4 50 Colin Street
 West Perth WA 6005

Issued Capital	261.0m
- fully diluted	261.1m
Market Cap	\$180.1m
- fully diluted	\$180.2m
Cash - est	\$5.3m
Debt - est	\$30.7m

EV	\$205.5m
EV/Resource Oz	\$79/oz
EV/Reserve Oz	\$511/oz

	FY11a	FY12e	FY13e
Prod (koz Au)	41	48	69
Op Cash Flw	11.7	27.0	65.2
NPAT	1.0	9.4	33.8
CF/Share (cps)	7.9	11.5	18.8
EPS (cps)	0.4	3.6	12.9
P/E	185	19	5

Resources (Moz Au)	2.62
Reserves (Moz Au)	0.40



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Hartleys has provided corporate advice within the past 12 months to Tanami Gold NL. Hartleys directors have a beneficial interest >1% in TAM shares. See back page for full disclosure.

SUMMARY MODEL

Tanami Gold NL					Share Price		December 2011	
TAM					\$0.690		Accumulate	
Key Market Information					Directors			
Share Price					Company Information			
Market Capitalisation					Arthur Dew (Non-Exec Chairman)			
52 Week High-Low					Level 4 50 Colin Street			
Issued Capital					West Perth WA 6005			
Issued Capital (fully diluted inc. ITM options)					Tel: + 61 8 9212 5999			
Options					Fax: + 61 8 9212 5900			
Hedging					Web: w w w .tanami.com.au			
Yearly Turnover/Volume					Top Shareholders			
Liquidity Measure (Yearly Turnover/Issued Capital)					m shares %			
Valuation					Allied Properties Resources Limited			
12Mth Price Target					Sun Hung Kai Investment Services			
					Eurogold Ltd			
					Jemaya Pty Ltd (Featherby Family Account)			
					Krone Jorg (Tynedale Farm Account)			
					Reserves & Resources			
					Gold Mt g/t Au Koz Attrib.			
					Reserves			
					Western Tanami			
					Central Tanami			
					Sub Total			
					Central Tanami Stockpile			
					Total			
					Resources			
					Western Tanami			
					Central Tanami			
					Sub Total			
					Central Tanami Stockpile			
					Total			
					Production Summary			
					Unit FY2011A FY2012F FY2013F FY2014F			
					*Attributable			
					Payable Gold Metal			
					Cash Cost			
					Price Assumptions			
					Unit FY2011A FY2012F FY2013F FY2014F			
					Gold			
					Exchange Rate			
					\$A Gold			
					Hedging			
					Unit FY2011A FY2012F FY2013F FY2014F			
					Total Forward Sales - Gold			
					Forward Gold Price			
					Sensitivity Analysis			
					Valuation (\$/s) NPAT EPS (¢) CFPS (¢)			
					Base Case			
					Exchange Rate +10%			
					Exchange Rate -10%			
					Gold Price +10%			
					Gold Price -10%			
					Operating Costs +10%			
					Operating Costs -10%			
					*N.B. NPAT, EPS, CFPS forecasts are for FY2012			
					Share Price Valuation at Spot			
					Est. \$/share			
					Gold: US\$1,634/oz, AUDUSD: 1.018			
					548.1 2.10			
					Share Price Valuation (NAV)			
					Est. \$m *Est. \$/share			
					Western Tanami (NPV @ 8%)			
					Central Tanami (NPV @ 14%) - risk weighted			
					Exploration			
					- 508m ABM sh (ABU.asx) @ 5.8+ Opt Val cps			
					- Other Exploration (WTP & CTP)			
					Cash			
					Forwards			
					Corporate Overheads (NPV @ 3%)			
					Total Debt-est.			
					Tax Losses			
					Options & Other Equity			
					Total			
					Financial Performance			
					Unit FY2011A FY2012F FY2013F FY2014F			
					Net Revenue			
					Total Costs			
					EBITDA			
					Depreciation/Amort			
					EBIT			
					Net Interest			
					Pre-Tax Profit			
					Tax Expense			
					NPAT			
					Abnormal Items			
					Reported Profit			
					Financial Position			
					Unit FY2011A FY2012F FY2013F FY2014F			
					Cash			
					Other Current Assets			
					Total Current Assets			
					PP&E + Development			
					Exploration			
					Investments/other			
					Tot Non-Curr. Assets			
					Total Assets			
					Short Term Borrowings			
					Other			
					Total Curr. Liabilities			
					Long Term Borrowings			
					Other			
					Total Non-Curr. Liabil.			
					Total Liabilities			
					Net Assets			
					Cashflow			
					Unit FY2011A FY2012F FY2013F FY2014F			
					Operating Cashflow			
					Income Tax Paid			
					Interest & Other			
					Operating Activities			
					PP&E + Development			
					Exploration			
					Investments			
					Investment Activities			
					Repayment of Borrowings			
					Proceeds of Borrowings			
					Equity			
					Dividends Paid			
					Financing Activities			
					Net Cashflow			
					Ratio Analysis			
					Unit FY2011A FY2012F FY2013F FY2014F			
					Cashflow Per Share			
					Cashflow Multiple			
					Earnings Per Share			
					Price to Earnings Ratio			
					Dividends Per Share			
					Dividend Yield			
					Net Debt / Equity			
					Interest Cover			
					Return on Equity			
					Analyst: Mike Millikan			
					Phone: +61 8 9268 2805			
					Sources: IRESS, Company Information, Hartleys Research			
					Last Updated: 21/12/2011			

Valuation Update

Updated sum of parts valuation for TAM of \$1.64/share, and 12-month price target of \$1.56/share

We have an updated sum of parts valuation for Tanami which is now \$1.64 per share, down from \$1.91. Our valuation is dominated by our Western Tanami DCF₈ valuation of 47cps (~A\$123m) and updated Central Tanami DCF₁₄ valuation of 99cps (~A\$257m). The major changes to our Central Tanami model has been the delay to the forecast production start, which we now assume will be in mid CY2013 (not late CY2012 as previously forecast). The push back of production is impacted by our diminishing long-term gold price assumption. We have also increased the discount rate on Central Tanami from 12% to 14%. Our 12-month price target has also been updated and is now \$1.56 per share (see Fig.1).

The Central Tanami resource is over 2Moz of which ~66% is in the Measured and Indicated categories which bodes well for further conversions to reserves before the re-start of operations. We see our valuation increasing over time, as the project is de-risked.

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 orebody risks. Our key assumption risks for the Central Tanami valuation are detailed in Fig.3.

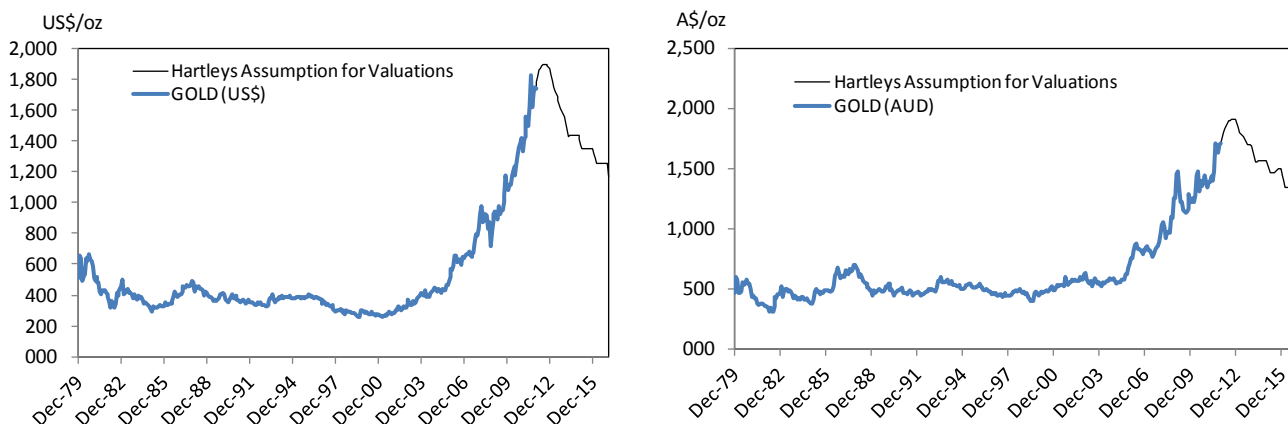
Fig. 1: Price Target Methodology

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	65%	\$1.64	\$1.67
NPV base case at spot commodity and fx prices CTP not developed/commodity prices falls	20%	\$2.10	\$2.10
	10%	\$0.65	\$0.65
Net Cash Backing	5%	-\$0.14	-\$0.14
Risk weighted composite 12 Months Price Target		\$1.54	\$1.56
Shareprice - Last		\$0.69	
12 mth total return (% to 12mth target + dividend)			127%

Source: Hartleys Estimate

Source: Hartleys

Fig. 2: Gold price assumptions for our valuation



Source: Hartleys, Bloomberg

Fig. 3: Key assumptions and risks for valuation (\$1.63 per share)

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
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 DFS 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 DFS and the uncertainty around development funding.

Source: Hartleys

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Gold Research Coverage						Hartleys Research Recommendation					
Name	Ticker	Last Price*	M. CAP (\$m)	Status	Recommendation	Name	Ticker	Last Price*	M. CAP (\$m)	Status	Recommendation
Resources						Oil & Gas					
Gold / Precious Metals						Conventional Oil & Gas					
1. Evolution Mining Limited	EVN	1.81	1,269	Producer	Buy	1. Woodside Petroleum Ltd	WPL	32.37	25,677	Major	Buy
2. Intrepid Mines Limited	IAU	1.41	737	Explorer	Speculative Buy	2. Nexus Energy Ltd	NXS	0.27	259	Developer / Explorer	No Rating
3. Silver Lake Resources Limited	SLR	3.50	721	Producer	Buy	3. Tap Oil Ltd	TAP	0.64	154	Producer / Explorer	Buy
4. Integra Mining Limited	IGR	0.595	501	Producer	Buy	4. Cooper Energy Ltd	COE	0.37	108	Producer / Explorer	Buy
5. Beadell Resources Limited	BDR	0.680	447	Developer	Buy	5. Otto Energy Ltd	OEL	0.09	102	Explorer / Producer	Buy
6. Gold One International Limited	GDO	0.545	440	Producer	No Rating	6. Carnarvon Petroleum Ltd	CVN	0.11	72	Producer / Explorer	Accumulate
7. Northern Star Resources Ltd	NST	0.950	333	Producer	Buy	7. WHL Energy Ltd	WHN	0.05	65	Explorer	Speculative Buy
8. Focus Minerals Ltd	FML	0.058	251	Producer	Buy	8. FAR Ltd	FAR	0.03	61	Explorer	Speculative Buy
9. ABM Resources NL	ABU	0.070	227	Explorer	Speculative Buy	9. Amadeus Energy Ltd	AMU	0.20	60	Producer / Explorer	Neutral
10. PMI Gold Corporation Limited	PVM	1.02	219	Developer	Speculative Buy	10. Pancontinental Oil and Gas NL	PCL	0.09	57	Explorer	Speculative Buy
11. Tanami Gold NL	TAM	0.785	205	Producer	Accumulate	11. Hawkey Oil and Gas Ltd	HOG	0.23	43	Producer / Explorer	Buy
12. Papillon Resources Limited	PIR	0.675	145	Explorer	Speculative Buy	12. Sun Resources NL	SUR	0.02	22	Explorer / Producer	Speculative Buy
13. YTC Resources Limited	YTC	0.500	124	Developer	Buy	Non Conventional Oil & Gas					
14. Cerro Resources NL	CJO	0.125	94	Developer / Explorer	Accumulate	13. Aurora Oil and Gas Ltd	AUT	3.33	1,369	Producer / Developer	Reduce
15. Emmerson Resources Limited	ERM	0.250	57	Explorer	Speculative Buy	14. Samsom Oil & Gas Ltd	SSN	0.09	162	Developer / Producer	Buy
16. Mutiny Gold Limited	MYG	0.080	34	Developer	Speculative Buy	15. European Gas Ltd	EPG	0.30	60	Producer / Explorer	Speculative Buy
17. Cortona Resources Limited	CRC	0.130	29	Developer	Accumulate	16. Oilex Ltd	OEX	0.21	52	Explorer / Producer	Speculative Buy
18. Augur Resources Ltd	AUK	0.140	25	Explorer	Speculative Buy	17. Transerv Energy Ltd	TSV	0.01	33	Developer	Speculative Buy
19. Canyon Resources Limited	CAY	0.490	22	Explorer	Speculative Buy	18. Emerald Oil and Gas NL	EMR	0.03	20	Producer / Appraisal	Speculative Buy
20. Southern Gold Limited	SAU	0.044	11	Explorer	Speculative Buy	19. Austin Exploration Ltd	AKK	0.03	17	Producer / Appraisal	Speculative Buy
21. Geopacific Resources NL	GPR	0.280	10	Explorer	Speculative Buy	Sub-Total		28,394			
Diversified Base / Precious Metals						Industrials					
22. Independence Group NL	IGO	4.35	881	Gold & Base Prod./Dev.	Buy	Resource Services - Capital Intensive					
23. Aviva Corporation Limited	AVA	0.135	22	Gold & Base Explorer	Speculative Buy	1. Ausdrill Limited	ASL	3.01	907	Contract Drilling	Buy
24. Ausquest Limited	AQD	0.062	14	Diversified explor	Speculative Buy	1. NRW Holdings Ltd	NWH	2.85	795	Contract mining	Buy
25. Silver Swan Group Ltd	SWN	0.059	8	Base Metal Explorer	Speculative Buy	2. Fleetwood Corporation	FWD	12.32	713	Accommodation	Neutral
Iron Ore						2. Mermaid Marine Ltd	MRM	3.13	674	Oil & Gas Services	Accumulate
26. Atlas Iron Limited	AGO	2.96	2,632	Producer	Buy	3. Index Ltd	IMD	2.11	432	Drilling Supplies	Buy
27. Centaurus Metals Ltd	CTM	0.510	68	Explorer	Speculative Buy	3. Macmahon Holdings Limited	MAH	0.58	426	Contract mining	Accumulate
Uranium						4. MACA Ltd	MLD	2.00	300	Contract mining	Buy
28. Peninsula Energy Ltd	PEN	0.033	70	Developer	Accumulate	4. Matrix Composites & Engineering	MCE	3.30	254	Oil & Gas Services	Neutral
29. Impact Minerals Limited	IPT	0.065	8	Explorer	Speculative Buy	5. Pacific Energy Ltd	PEA	0.40	139	Remote Power	Buy
Other metals						5. Swick Mining Services Ltd	SWK	0.35	82	Contract Drilling	Buy
30. Kasbah Resources Limited	KAS	0.175	64	Tin Developer	Buy	Resource Services - Labour Intensive					
31. Hazelwood Resources Ltd	HAZ	0.145	38	Tungsten Developer	Speculative Buy	6. Monadelphous Group Limited	MND	20.73	1,815	Construction	Buy
32. Shaw River Manganese Limited	SRR	0.076	19	Manganese: Developer	Speculative Buy	6. Lycopodium Limited	LYL	5.94	230	Engineer. & Constr.	Accumulate
Sub-Total			9,723			7. RCR Tomlinson Ltd	RCR	1.68	223	Engineer. & Constr.	Buy
						7. LogiCams Limited	LCM	0.72	48	Engineer. & Constr.	Speculative Buy
						8. Decmil Group Limited	DCG	2.27	0	Construction	Buy
						Other Industrial Companies					
						9. iiNet Limited	IIN	2.86	427	Telecommunications	Buy
						9. Austal Limited	ASB	2.14	402	Civil and Military Vessels	Buy
						10. Cash Converters Internat. Limited	CCV	0.59	236	Unsecured Finance	Buy
						10. Amcom Telecommunications	AMM	0.87	208	Telecommunications	Accumulate
						Sub-Total		8,312			
						70. GRAND TOTAL		46,428			

Source: IRESS, Hartleys Research. * 19 Dec 2011

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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.

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Hartleys has provided corporate advice with the past 12 months to Tanami Gold NL ("Tanami") for which it has earned fees. A director of Hartleys has a beneficial interest in 7,682,822 shares in Tanami.

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