

quarterly report

FOR THE PERIOD ENDING
30 JUNE 2010



COMPANY ENQUIRIES

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Tanami takes next step towards becoming 200,000oz a year producer with record performance for June Quarter

Production up, costs down, exploration strong

Record Quarterly gold production with lower costs...

- Record production from the Western Tanami Gold Operations, with **12,900 ounces produced at a cash cost of A\$655 per ounce**. This is a **23% increase** in gold production and a **2.5% decrease** in cash costs per ounce compared to the previous Quarter. (10,456 ounces at a cash cost of A\$672 per ounce).
- For the full 2009-10 financial year, the Company achieved a record performance with **227,610 tonnes treated, 55,626 ounces mined** and a total of **47,960 ounces produced**.
- **Bald Hill Open Pit** operations forecast to recommence in the second Quarter 2010-11.
- **Surface Run-Of-Mine (ROM)** stockpile remains at **100,051 tonnes** containing an estimated **7,666 ounces** (previous Quarter, 109,300 tonnes containing 9,950 ounces).

Strong exploration results continue to flow...

- Surface diamond drilling results from the Western Tanami Project confirm continuity and high-grade nature of the Sandpiper mineralisation beneath the current pit floor. Significant down-hole intersections from SPDD14 include:
 - **11.0m @ 4.9g/t** from 227.5m
 - **4.7m @ 4.8g/t** from 266.8m
 - **2.6m @ 30.1g/t** from 285.6m
 - **6.3m @ 6.2g/t** from 341.2m
- RC and diamond drilling results from the Central Tanami Gold Project indicate depth continuity to the Miracle deposit. Significant down-hole intersections include:
 - **5.2m @ 11.6g/t** from 179.8m in TODD3
 - **3.0m @ 8.4g/t** from 136.0m in TORC5
 - **5.0m @ 3.0g/t** from 65.0m in TORC18

Corporate...

- On 15 July 2010, the Company announced a **pro-rata renounceable 6-for-5 Entitlements Issue ("issue") to raise \$63.7M**. The issue is **fully underwritten** by Tanami's major shareholder, Allied Properties Resources Limited ("APRL").
- **Proceeds** from the issue to be used **to retire debt and accelerate exploration** at the 1.06M ounce Central Tanami Gold Project.
- Despite the commencement of exploration at the Central Tanami Gold Project and an accelerated exploration program at Western Tanami, **cash and gold on hand** at the end of the **June 2010 Quarter totalled A\$8.3 million** (down from A\$10.2 million at the end of the March 2010 Quarter).

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OPERATIONS – Western and Central Tanami

Summary

- Despite delays due to late seasonal rainfall and the temporary suspension of surface mining at Bald Hill, the Western Tanami Gold Operations in Western Australia achieved a **record performance in the June 2010 Quarter** with production **up 23% to 12,900 ounces of gold** and **cash costs decreasing to A\$655 per ounce** (March 2010 Quarter 10,456 ounces at a cash cost of A\$672 per ounce). Year-to-date cash costs remained similar to the previous Quarter at **A\$697 per ounce**.
- The Western Tanami Gold Operations also produced record ounces for the full 2009-10 year, with **47,960 ounces produced, a 106% increase** on full year 2008-09 (23,320 ounces).
- Underground mine development is expected to intersect the high grade Bommie lode during the next Quarter. Although mining widths are expected to be narrower than the Gonzales lode (on average 2.5 metres verses the Gonzales 4-5.0 metre width), the consistent nature of the Bommie lode will add additional high grade tonnes to the mill feed over the coming months.
- Mining at the Company's Bald Hill satellite open pits (Sandpiper and Kookaburra), located 35 kilometres north of the Western Tanami processing plant, is planned to resume in the second Quarter 2010-11. An internal feasibility study to expand mining operations at Bald Hill is nearing completion. Exploration drilling to test the depth extensions of the Sandpiper deposit has returned a number of very encouraging drill intersections (discussed in detail later in this report).
- Resource and Reserve drilling at the Central Tanami Gold Project is well underway despite several delays due to unseasonal heavy rainfall. Sterilisation drilling beneath the Miracle Open Pit intersected a downhole interval of **5.2 metres @ 11.6 g/t Au** from 179.8 metres, confirming the mineralisation extends well below what was previously modelled (ASX announcement 21 July 2010).

Table 1.0 – 2008-09 and 2009-10 Quarterly Production Summary

Qtr	Underground			Open Pit			Total					
	Tonnes Treated	Grade g/t	Recovered Ounces	Tonnes Treated	Grade g/t	Recovered Ounces	Tonnes Treated	Grade g/t	Recovered Ounces	Recovery	Gold Sales Ozs	Average Sale Price/oz \$A
Sep-08	7,800	9.1	2,206	15,900	4.2	2,055	23,800	5.8	4,261	96.4	8,751	985
Dec-08	16,500	6.1	3,120	27,700	1	832	44,200	2.9	3,952	96.2	4,008	1,169
Mar-09	16,500	9.4	4,848	14,700	2.5	1,123	31,200	6.1	5,971	97	5,691	1,345
Jun-09	33,000	7	7,242	15,400	3.9	1,894	48,400	6	9,136	97.4	7,815	1,220
TOTAL	73,800	7.6	17,416	73,700	2.6	5,904	147,600	5.1	23,320	96.8	26,265	1,180
Sep-09	33,285	8.3	8,833	38,853	3.2	3,988	72,138	5.5	12,821	97.3	13,123	1,151
Dec-09	35,684	8.3	9,285	13,782	5.8	2,499	49,465	7.6	11,783	96.9	11,076	1,213
Mar-10	36,465	7.3	8,198	14,119	5.2	2,258	50,583	6.7	10,456	96.1	9,081	1,231
Jun-10	40,953	8.4	10,768	14,471	4.8	2,132	55,424	7.5	12,900	96.7	13,000	1,335
TOTAL	146,387	8.1	37,084	81,225	4.3	10,877	227,610	6.7	47,960	97.7	46,280	1,233

Note: Recovered ounces calculated by tonnes x grade x recovery.

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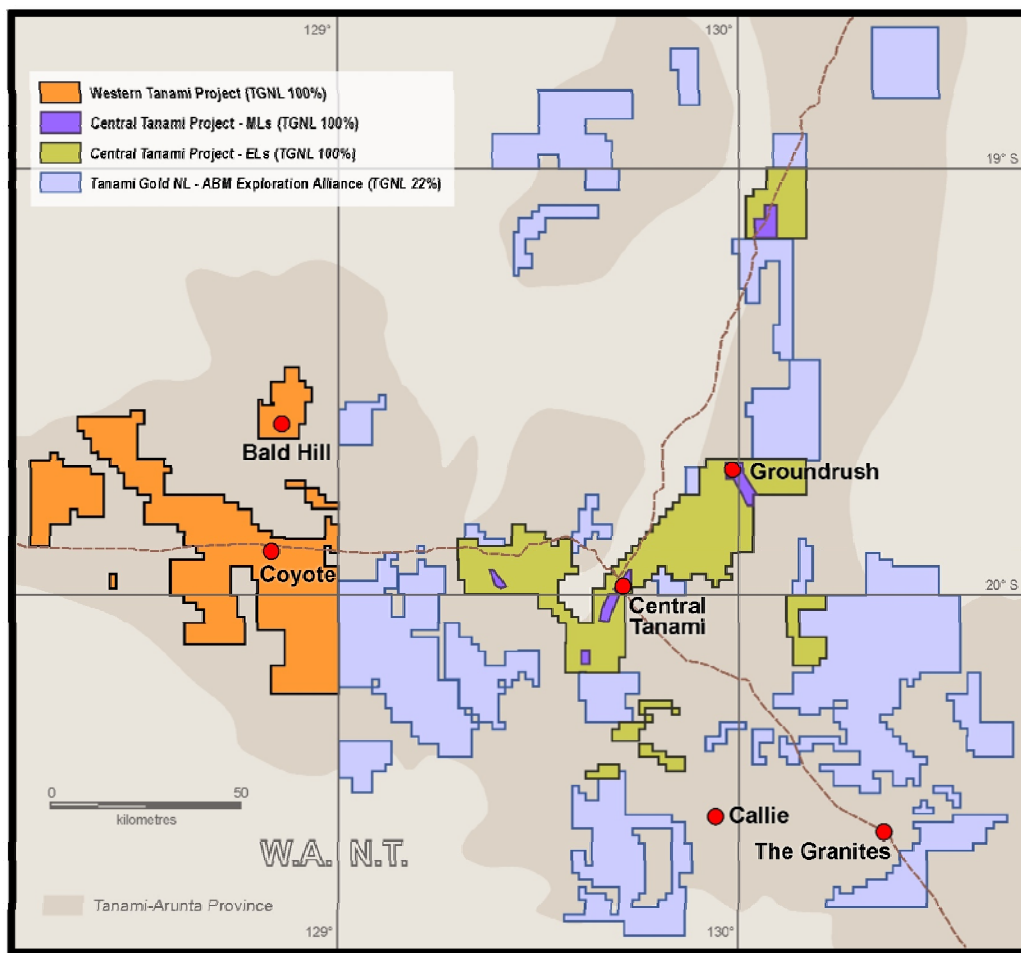


Figure 1: Project Location Plan

Underground Mining

The Coyote underground operation produced a record 10,768 ounces for the June 2010 Quarter, up 31% on the previous Quarter. Total underground ore mined was 40,985 tonnes at an average grade of 8.4g/t for 10,768 recovered ounces, a 33% increase in gold over the March 2010 Quarter (36,465 tonnes at an average grade of 7.1g/t for 8,198 recovered ounces).

Approximately 90% of production was derived from ore level development with development for the Quarter totalling 1,630 metres and capital development contributing 374 metres. The main decline was advanced 184 metres and is on track to intersect the 144 level of the new Bommie Lode during the September 2010 Quarter.

Work to upgrade Stage 1 of the primary underground ventilation system was completed during the Quarter which will ensure mining of the Bommie Lode remains in line with current development forecast.

The South Zone ore body continued to provide high grade mill feed, with mining occurring on several levels (231, 219, 207 and 194 levels). Although the South Zone quartz vein is quite narrow (averaging approximately 4 cm), it is extremely rich, with individual vein samples returning assay grades over 5,000g/t, and 2.5 metre face grades averaging around 15-18 g/t and some **assaying over 1 ounce per tonne**. The South lode system remains open at depth with resource extension drilling expected to resume during the September 2010 Quarter.

Development of the main Gonzales ore body reached the 164 level, (approximately 220m below the surface) where again the stacked nature of the gold bearing quartz veins was evident. Excellent development grades were produced over the entire 162 metres of the 164 level (average grade of 8.5 g/t) at a mined width of approximately 4.5 metres. Given these grades and widths the Gonzales decline will be extended a further 20 vertical metres to access ore previously not expected to continue below the 164 level.

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Mechanised long-hole stoping activity continued through the Quarter, albeit on a limited basis. Ore was sourced mostly from the 243 level with mining widths in excess of 4 metres.

Surface Mining

No open pit mining activities were conducted at the Bald Hill operation during the Quarter due to the high level of untreated mined ore stocks remaining on surface stockpiles (100,051 tonnes at an average grade of 2.4 g/t for 7,666 ounces). Open pit mining at Sandpiper is scheduled to resume during the December 2010 Quarter.

Processing and Metallurgy

Gold production for the June 2010 Quarter was 12,900 ounces from a mill throughput of 55,424 dry tonnes at a calculated head grade of 7.5g/t and a recovery of 96.7%. Ore processed comprised 40,953 tonnes from underground and 14,471 tonnes from the Bald Hill open pits.

Although some improvement in plant leach capacity has been gained by recommissioning three small unused leach tanks, options to increase overall plant capacity are still being investigated with a view to increasing both throughput and recovery. The Company is looking to install a cone crusher together with additional leach/adsorption capacity, elution circuit upgrade and possibly additional milling capacity as part of the upgrade.

EXPLORATION AND RESOURCE DEVELOPMENT

Central Tanami Gold Project Resource Upgrade

The Company completed a re-estimation of the Central Tanami Gold Project ("CTP") Mineral Resources during the Quarter. The updated Resource estimate was completed for mineralisation contained within the CTP Mineral Leases only and amounted to a Measured, Indicated and Inferred Resource of **11.677 million tonnes grading 2.8g/t for 1.061 million ounces of gold** (ASX announcement 4 May 2010). This result is a **105% increase in total contained gold ounces** from the previous estimate completed by Otter Gold Mines Limited in 2001.

The breakdown for this estimate is provided in Table 2 below. **Over 80% of the updated Resource has been classified as Measured or Indicated.** It is important to note that remnant mineralisation identified beneath the Groundrush open pit (611,000 ounces historic gold production from ML22934) has not been included in this estimate.

Table 2 - Central Tanami Project Mineral Resources

Mineral Lease	Resource Category											
	Measured			Indicated			Inferred			Total		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
MLS153	578,000	2.3	43,000	744,000	2.2	53,000	441,000	3.9	56,000	1,763,000	2.7	151,000
MLS167	2,369,000	3.2	248,000	2,004,000	4.0	256,000	640,000	3.7	75,000	5,013,000	3.6	579,000
MLS168	707,000	2.3	52,000	63,000	2.1	4,000	509,000	1.9	30,000	1,279,000	2.1	87,000
MLS180	438,000	3.6	51,000	544,000	3.0	53,000	59,000	3.0	6,000	1,041,000	3.3	109,000
MLSA172	1,026,000	2.7	89,000	112,000	1.9	7,000	44,000	5.0	7,000	1,181,000	2.7	103,000
Stockpiles	1,400,000	0.7	31,000							1,400,000	0.7	31,000
Total	6,518,000	2.5	514,000	3,467,000	3.3	373,000	1,692,000	3.2	174,000	11,677,000	2.8	1,061,000

Notes to accompany Table 2.

Resource estimation completed using MineMap software comprising an ellipsoidal inverse distance grade interpolation method.

Grade estimation was constrained to material within >0.5g/t mineralisation outlines.

Gold assay top cut of 30g/t used for MLS167 and 20g/t used for the remainder, based on geostatistical parameters and historical production reconciliation.

Resources reported above 0.7g/t block model grade constrained within pit shells optimised at A\$1350 per ounce gold price.

Resources reported above 2.5g/t block grade for mineralisation at the Carbine deposit, within MLS167, occurring below the southern plunge extent of the optimal pit shells.

Stockpile figures from previously reported Otter Gold Mines NL 2001 Mineral Resource estimate less recorded treatment by Newmont Asia Pacific.

Tonnes and ounces rounded to the nearest thousand and grade rounded to 0.1g/t. Rounding may affect tallies.

Competent Person: The information in this report pertaining to Mineral Resources for the Central Tanami Project was compiled by Mr Bill Makar (MAAusIMM), former Chief Mine Geologist for Otter Gold Mines Limited Tanami Mine Joint Venture. Mr Makar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Makar has provided written consent to Tanami Gold NL for the inclusion in the report of the matters based on his information in the form and context in which they appear.

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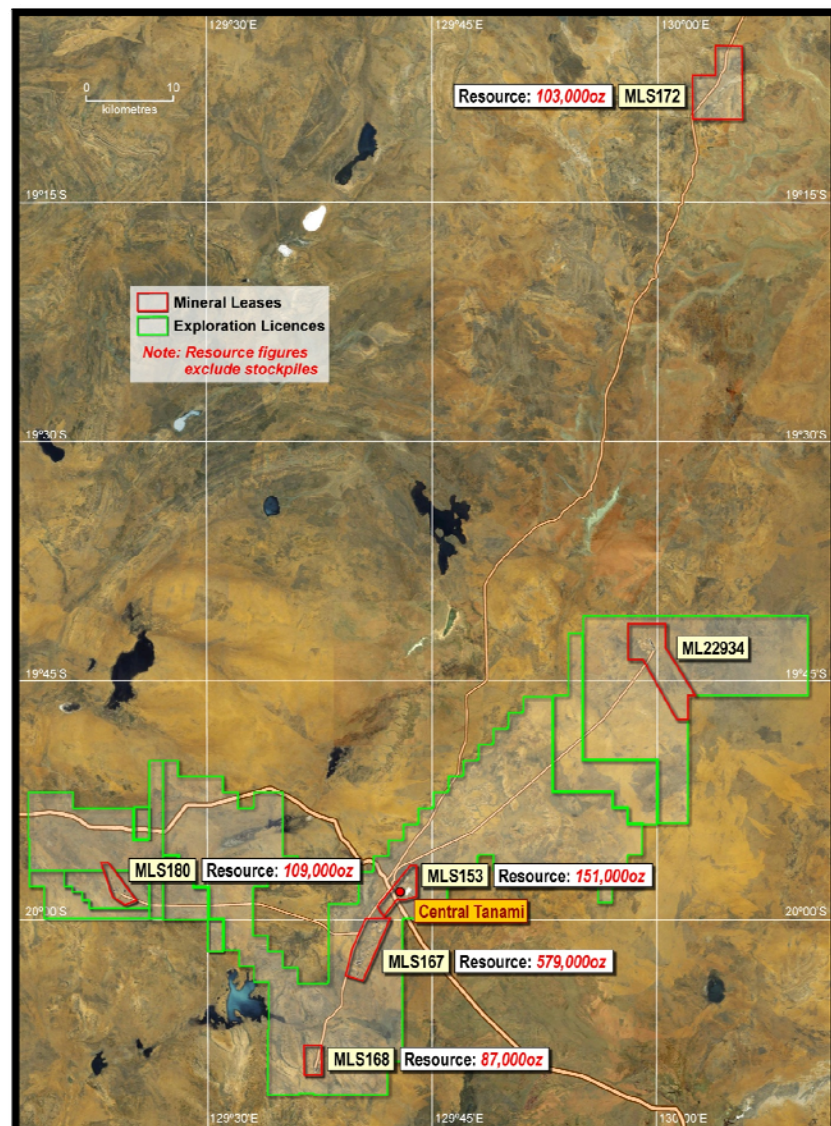


Figure 2: Central Tanami Project Gold Resource distribution by tenement

The Company increased its exploration and Resource definition drilling programs during the Quarter. Surface diamond core, reverse circulation (RC) and aircore drilling continued across the Western Tanami Project area whilst RC and diamond drilling commenced at the Central Tanami Gold Project. In total the Company completed **10,861 metres of RC, 2,957 metres of diamond core and 8,949 metres** of aircore drilling at eight prospects during the Quarter.

Western Tanami Gold Operations

Sandpiper

Results were received this Quarter for diamond core hole SPDD14 that was completed in late March 2010. SPDD14 was designed to further test the down-plunge extensions of the Sandpiper mineralisation. This hole intersected four parallel zones of mineralisation with **coarse gold observed in quartz veins between 285.6 to 286.2 metres** down hole. Significant intersections from SPDD14 are shown in Table 3.

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Table 3 – Sandpiper Diamond Drill Hole SPDD14 Location and Significant Intersections

Hole Number	Collar Easting	Collar Northing	Collar RL	Collar Dip	Collar Azimuth	Hole Depth	Significant Intersections		
							Interval	Width (m)	Grade g/t
SPDD14	485970	7834211	376	-60	177	361	227.5m to 238.5m	11.0	4.9
							Inc 237.0m to 237.8m	0.8	34.2
							266.8m to 271.5m	4.7	4.8
							285.6m to 288.2m	2.6	30.1
							Inc 285.6m to 286.2m	0.6	118.1
							341.2m to 347.5m	6.3	6.2

Notes - Collar Northing, Easting and Azimuth are all in AMG Grid coordinates.
 Collar coordinates are as planned and may vary upon survey pickup.
 Analyses by 50g fire assay with AAS finish. No cutting of grades has been applied.
 Significant Intersections calculated at 1g/t lower cut off grade with maximum two metres internal dilution. Assays rounded to nearest 0.1g/t.

Sandpiper mineralisation has been identified as continuing for over **400 metres down plunge** from the base of the open pit (Figure 3) and **all lodes remain open down dip, down plunge and along strike**. Step out drilling of the system will continue during the September 2010 Quarter to further define the extent of the four lodes identified in SPDD14.

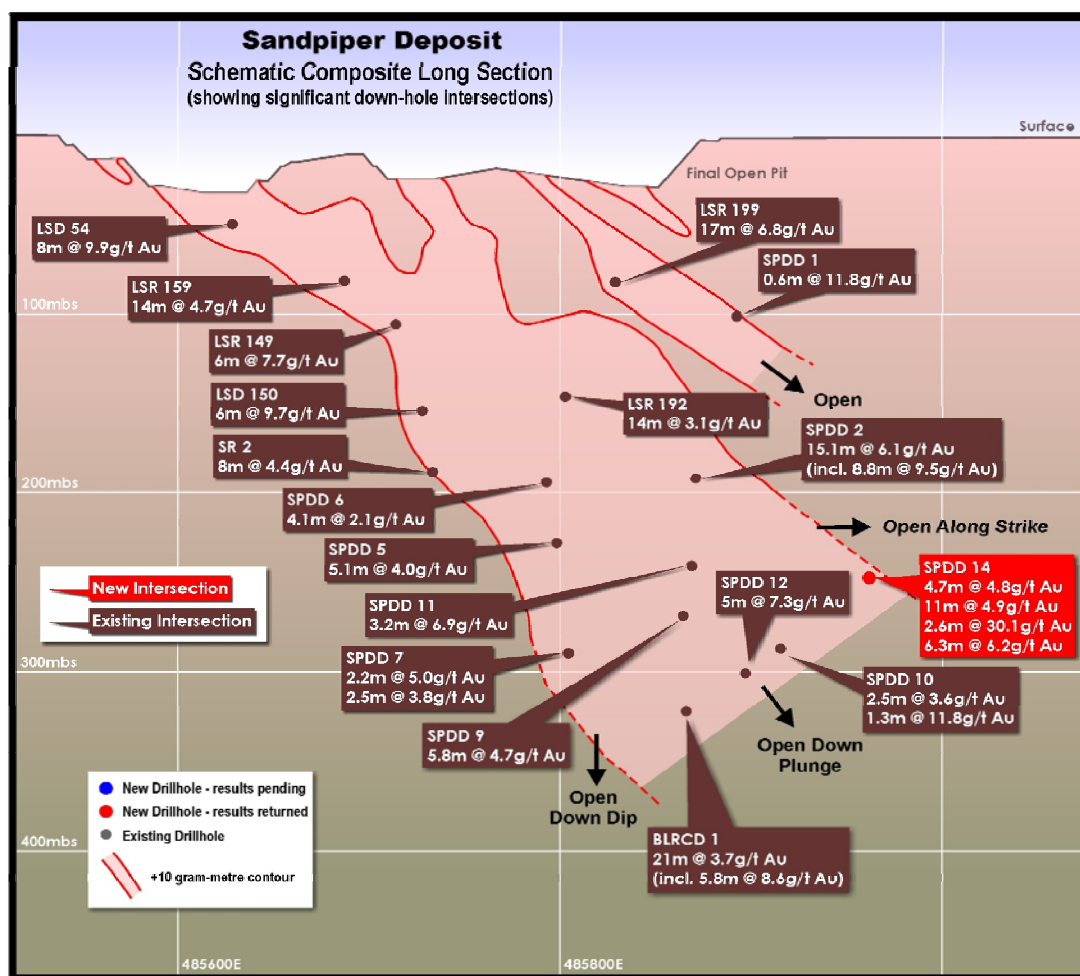


Figure 3: Sandpiper Schematic Long Section depicting recent drilling and significant intersections

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Road Runner

A substantial program of RC drilling with one diamond hole was completed at the Road Runner prospect during the Quarter. Road Runner is located approximately 7 kilometres south of the 250,000 tonnes per annum Western Tanami treatment facility.

In total, 106 holes for 3,032 metres were completed to increase confidence in the supergene mineralisation previously defined by aircore and limited RC drilling and to further test the interpreted primary lode structures beneath the supergene enrichment zone. Highlight grades returned from this program include **2.0 metres @ 17.2 g/t Au** in RRC110, **2.0 metres @ 12.2g/t Au** in RRC140, **3.0 metres @ 8.7 g/t Au** in RRC130 and **3.0 metres @ 8.3 g/t Au** in RRC133. Other significant intersections greater than 10 gram-metres are presented in Table 4. Upon receipt of all final assay results a Resource estimate and mine planning work will be completed for Road Runner where a shallow high grade open pit operation is possible.

Table 4 – Road Runner Drill Hole Locations and Significant Intersections

Hole Number	Collar Easting	Collar Northing	Collar RL	Collar Dip	Collar Azimuth	Hole Depth	Significant Intersections		
							Interval	Length (m)	Grade (g/t)
RRRC89	483910	7792150	405.5	-90	0	25	19.0m to 21.0m	2.0	6.8
RRRC110	484230	7792070	405.5	-90	0	25	18.0m to 20.0m	2.0	17.2
RRRC112	484230	7792090	405.5	-90	0	25	18.0m to 21.0m	3.0	4.3
RRRC113	484240	7792060	405.5	-90	0	25	18.0m to 19.0m	1.0	11.0
RRRC118	484250	7792080	405.5	-90	0	25	18.0m to 20.0m	2.0	5.7
RRRC130	484270	7792090	405.5	-90	0	25	18.0m to 21.0m	3.0	8.7
RRRC133	484280	7792060	405.5	-90	0	25	18.0m to 21.0m	3.0	8.3
RRRC138	484290	7792070	405.5	-90	0	25	17.0m to 19.0m	2.0	5.6
RRRC140	484180	7792090	405.5	-90	0	25	19.0m to 21.0m	2.0	12.1

Notes – Collar Northing, Easting and Azimuth are all in AMG Grid coordinates.
Some collar coordinates are as planned and may vary upon survey pickup.
Analyses by 50g fire assay with AAS finish. No cutting of grades has been applied.
Significant Intersections calculated at 1g/t lower cut off grade with maximum two metres internal dilution. Assays rounded to nearest 0.1g/t

Lyrebird

RC drilling of 11 holes for 614 metres was conducted at the Lyrebird prospect during the Quarter. Lyrebird is located approximately three kilometres northwest of Sandpiper and is hosted within a folded sedimentary and mafic sequence similar to the other Bald Hill area deposits. Further work is required at Lyrebird to fully scope the size and tenor of the mineralisation.

Regional Aircore Programs

Aircore drilling was conducted at several prospect areas across the Western Tanami tenements during the Quarter. Prospects drilled include Cuckoo, Tern, Big Bustard and Sandpiper West in the Bald Hill area and the Hermes prospect to the northwest of Coyote. In total 8,959 metres of drilling was completed for the purposes of regional reconnaissance, follow-up of anomalous bedrock intersections from previous programs and sterilisation for mine infrastructure purposes.

From results received to date, several coherent bedrock geochemical anomalies have been identified from broad spaced drilling on strike from Cuckoo and at Tern. BHAC2, located approximately 2.5 kilometres northwest of Tern, returned a coincident gold and arsenic intersection of **27 metres grading 100ppb gold and 645ppm arsenic from 28 metres to end of hole**. BHAC18 at Tern returned **18 metres grading 145ppm gold from 48 metres to end of hole**, with elevated arsenic of 148ppm from 60 metres. Both of these anomalous areas will be followed up in future programs. Assay results are awaited for the Big Bustard and Hermes prospects and the Sandpiper West sterilisation program.

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Central Tanami Gold Project

Following the acquisition of the Central Tanami Gold Project at the end of the March Quarter the Company commenced Resource definition and confirmation drilling during May. A total of 5,483 metres of combined RC and diamond core were drilled in 36 holes during the period to 30 June 2010.

Despite being of lower grade, the Tombola and Miracle prospects were identified as a likely start-up pit to provide initial commissioning ore for the Central Tanami treatment plant and waste for a residue dam. The deposits form a continuous mineralised trend with drilling initially focussed on confirming the Resource and sterilising any possible down dip extensions to the known mineralisation.

Whilst a substantial proportion of samples submitted are yet to be assayed, geological logging and results to date have confirmed the nature and tenor of the mineralisation and also highlighted significant depth extensions to the system. One diamond hole, TODD3, was drilled to sterilise the down dip potential of the Miracle lode. The result was a high-grade interval of **5.2 metres @ 11.6g/t Au from 179.8 metres** which, at 180 metres below surface, confirming the mineralisation extends well beneath what was previously modelled and beyond previous drilling.

Other significant intersections from the same area received to date include **3.0 metres @ 8.4g/t Au** from 136 metres in TORC5, **5.0 metres @ 3.0g/t Au** from 65 metres in TORC18 and **4.0 metres @ 2.7g/t Au** from 12 metres in TORC4. Details of these holes are presented in Table 5.

The deep high grade intersection from TODD3 and the strong intersection in TORC5 are located in the footwall of the main 080° Miracle - Tombola trend, have **defined an additional mineralised structure not previously mined in Miracle**. The intersection in TORC5 is some 100 metres beneath an **historic RAB drill intersection of 9 metres @ 5.3g/t Au** in TX2576. Potential for the proposed open pit to include this additional mineralisation will be decided with further drilling of the up-dip extensions of the TORC5 intersection.

Table 5 - CTP Miracle and Tombola Significant Intersections

Hole Number	Collar Easting	Collar Northing	Collar RL	Collar Dip	Collar Azimuth	Hole Depth (m)	Significant Intersections		
							Interval	Length (m)	Grade (g/t)
TODD3	573151	7790918	427	-90	0	200	179.8m to 185.0m	5.2	11.6
TODD5	573084	7790870	428	-60	313.5	181	134.8m to 137.2m	2.4	3.7
TORC4	573288	7790968	428	-60	313.5	121	12.0m to 16.0m	4.0	2.7
TORC5	573267	7791013	428	-60	313.5	145	136.0m to 139.0m	3.0	8.4
TORC18	573461	7791215	428	-60	313.5	140	65.0m to 70.0m	5.0	3.0

Notes – Collar Northing, Easting and Azimuth are all in AMG Grid coordinates.
Some collar coordinates are as planned and may vary upon survey pickup.
Analyses by 50g fire assay with AAS finish. No cutting of grades has been applied.
Significant Intersections calculated at 1g/t lower cut off grade with maximum two metres internal dilution. Assays rounded to nearest 0.1g/t

CORPORATE

Financial

The Company has maintained its strong focus on cost control across its Western Tanami Operations throughout the Quarter ended 30 June 2010. This ongoing focus on costs, combined with record gold production is reflected in the Company's cash cost per ounce for the Quarter ended 30 June 2010 and its year-to-date cash cost per ounce for the year to 30 June 2010.

Cash costs for the Quarter ended 30 June 2010 were A\$655 per ounce against A\$672 per ounce for the preceding Quarter (a 2.5% decrease), while year-to-date cash costs to 30 June 2010 were A\$697 per ounce.

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Cash and Cash Equivalents

As at 30 June 2010, the Company had cash and gold on hand of A\$8.3 million down from A\$10.16 million as at 31 March 2010. The Company retains substantial ROM stocks of 100,051 tonnes as at 30 June 2010. This equates to approximately 7,666 ounces which at A\$1,300 per ounce has a value of approximately A\$10million.

Loan Facilities

For the Quarter ended 31 March 2010, the Company reported that it had fully drawn down its loan facilities with AP Finance Limited (an entity associated with the Company's major shareholder) and Eurogold Limited. The Company's loan facilities remain fully drawn down as at 30 June 2010; however the Company has committed to repaying all loan facilities with part of the proceeds raised from its fully underwritten renounceable entitlements issue announced to the ASX on 15 July 2010.

Fully Underwritten Renounceable Entitlements Issue

On 15 July 2010, the Company announced a fully underwritten renounceable entitlements issue of 4,246,068,071 shares on the basis of six (6) shares for every five (5) shares held at an issue price of 1.5 cents per share to raise approximately \$63.7 million before issue costs.

Funds raised from the entitlements issue will be used to retire the Company's existing debt, accelerate exploration at the Central Tanami Gold Project and to provide additional working capital.

Consolidation

Subsequent to the completion of the entitlements issue (and subject to shareholder approval), the Company will be undertaking a 1-for-30 capital consolidation.

When the entitlements issue and subsequent capital consolidation are complete, the Company will have an issued capital of approximately 260 million shares, no debt, and will be well positioned to emerge as Australia's next mid tier gold producer.

GRAEME SLOAN MANAGING DIRECTOR/CEO

The information in this report that relates to Geological Data and Exploration Results is based on information compiled by Mr Robert Henderson, a full time employee and Geology Manager of Tanami Gold NL. Mr Henderson is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Henderson consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.