



TANAMI
GOLD NL

ABN 51 000 617 176

2010 CONSOLIDATED INTERIM FINANCIAL REPORT

CONTENTS

	Page
DIRECTORS' REPORT	2
LEAD AUDITOR'S INDEPENDENCE DECLARATION	8
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	9
DIRECTORS' DECLARATION	19
INDEPENDENT AUDITOR'S REPORT	20

DIRECTORS' REPORT

For the half-year ended 31 December 2010

The Directors present their report together with the consolidated interim financial report of the consolidated entity, being the Company and its controlled entity, for the half-year ended 31 December 2010 and the auditor's independent review report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the half-year are:

<i>Name</i>		<i>Period of directorship</i>
Mr D P Waddell	Non-Executive Chairman	Appointed 21 July 1995
Mr G J Sloan	Managing Director/CEO	Appointed 18 September 2008
Mr A A Senior	Non-Executive Director	Appointed 31 July 2007
Mr Lee Seng Hui	Non-Executive Director	Appointed 5 March 2008

2. Results

The consolidated entity recognised total comprehensive income for the half-year ended 31 December 2010 of \$196,465 (2009:\$7,036,805).

3. Principal Activity

The principal activity of the consolidated entity during the course of the half-year was gold mining operations and mineral exploration.

4. Review of Activities

Overview

Tanami Gold NL's mining and exploration centres are situated in the remote Tanami Desert adjacent to the Western Australian and Northern Territory border. The Company's Western Tanami Operations, located in Western Australia, consist of a 250,000 tonnes per annum treatment plant (upgraded to a 350,000 tonnes per annum in March 2011), an underground operation at the Coyote operations and open pit mining operations at Bald Hill, located approximately 35 kilometres north of Coyote. Production from Bald Hill (Kookaburra and Sandpiper open pits) was suspended in early 2010 and recommenced in November 2010 to allow planning and construction of the Coyote Stage 1 plant upgrade.

In April 2010, the Company acquired the Central Tanami Project (CTP) assets from Newmont Mining Corporation. The CTP is located adjacent to the Tanami Track and approximately 90 kilometres east of the Coyote mine operations. The acquisition included 0.5 million ounces of JORC Compliant Resources, a treatment facility capable of treating 1.2-1.5 million tonnes per annum, key infrastructure and access to an additional 2,000 square kilometres of highly prospective mining and exploration tenements. Following an intensive drilling campaign during the December 2010 half year, the CTP Resource has increased to 1.476 million ounces.

Mining on the CTP tenements commenced in the late 1980's and continued until 2004 with over two million ounces of gold produced from approximately forty three open pits. Apart from very limited deeper drilling beneath most of the historic open pits, the entire area remains relatively untested with very few holes in excess of 200 metres deep with most holes less than 50 metres.

As at December 2010, the Company has a combined Western Tanami Project (WTP) and CTP Resource of 2.03 million ounces. Exploration of the CTP and WTP tenements will remain a strong focus for the Company in 2011 with an exploration budget of approximately \$15 million.

Gold produced for the December 2010 half-year totalled 19,147 ounces which was mostly sourced from the continued development and stoping of the Coyote underground mine, and lower grade stockpiles from the Coyote open pit which were mined in 2009-10.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2010

Mining***Underground Mining***

For the December 2010 half year, the Coyote underground mine produced approximately 62,000 tonnes of ore grading 7.6g/t for approximately 15,000 ounces. Ore was predominantly sourced from long hole stoping of the Gonzales ore body, hand held stoping of the South lode at 231 Level, and the upper sections of the Bommie Lode.

Level development was extended to the west on the Gonzales 207 level to access the new West Lode ore body, in addition to establishing drill platforms for further underground diamond drilling to confirm the down plunge extension of the high grade South lode. Significantly, surface diamond drilling intersected the high grade South lode a further 250 metres down plunge with the lode remaining open down plunge. Drilling over the next two Quarters is planned to provide additional certainty prior to mining. The current South Lode stoping areas have stope grades in excess of 20g/t gold at an average width of 2.0 metres.

The Coyote decline reached the 164 level near the estimated base of the Gonzales Lode, approximately 220 metres below the surface and 156 metres below the base of the open pit. Recent drilling utilising the Company's own diamond drilling rig has identified the main Gonzales lode may well extend below this level. Further drilling is planned during the second half of the financial year.

A decline bypass was completed between the 290 and 270 levels to provide access to high grade ore that was previously inaccessible because of the close proximity to pumping infrastructure and decline access. Stopping occurred late in the half and will continue throughout the second half of the financial year.

Decline development accessed the top section of the high grade Bommie lode and two levels were established. Assaying of these levels confirmed the high grade nature of the Bommie lodes and minor stoping was carried out on both levels with the aim of obtaining a bulk sample for metallurgical sampling. Treatment of the ore clearly showed a strong correlation between actual mine grade verses mill grade and recoveries around 97%. The Bommie mineralisation remains open down plunge with further drilling planned to test depth extensions once drill sites can be established. This is expected to occur in the June 2011 Quarter.

Mining of the Bommie lodes have been temporarily suspended until a return ventilation system can be established from the 207 level to 144 level. The return ventilation system is being developed and will not only allow the development of the lower levels of the Bommie Lode but also the untested North Lode.

For the December 2010 half year, a total of 2,124 metres (or approximately 11 metres of development per day) of primary and secondary development was completed at Coyote underground.

Following a re-optimisation of the Bald Hill open pits (Sandpiper and Kookaburra), mining recommenced in November 2010. Brierty Limited was awarded the mining contract to provide earth moving, drill and blast, and ancillary services.

Late in 2010, the Company purchased two second hand Atlas Copco Diamec U6 compact track mounted diamond drill rigs to enable the Company to undertake its own underground exploration drilling. This initiative has provided the Company greater operating flexibility and an overall lower cost per metre drilled. Drilling to date has been very successful with a number of known zones extended along strike, and/or up and down dip. Plans are in place to test a number of new targets over the coming six months.

Surface Mining

Following an optimisation study of the Bald Hill open pits (Kookaburra and Sandpiper) and the awarding of a mining contract to Brierty Contracting, mining recommenced in November 2010 after a hiatus of around six months. Approximately 550,000 tonnes of ore will be mined over the first twelve months however this is expected to be extended with further optimisation studies based on recent drilling. The opportunity for additional pits in the Bald Hill area also looks promising and will be assessed during 2011.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2010

Exploration

The Company's Western Australian tenements, (the Western Tanami Project (WTP)), contain many highly prospective targets identified from previous exploration programs. These targets include high grade vein intersections located immediately below the current Coyote Mine workings and advanced regional prospects with significant gold mineralisation all within trucking distance of the Coyote treatment plant.

Underground Exploration

Underground diamond drilling resumed in October 2010 following the purchase of three Atlas Copco diamond drill rigs for use at the Company's operational sites. A total of 25 holes for 1,340 metres were completed by the end of the reporting period.

Drilling conducted was mainly for mine development and resource extensions with a minor amount of exploration drilling. Significant results were returned from all areas drilled including extensions to the South Zone mineralisation and infill drilling of Gonzales.

Surface Exploration

The Company continued surface exploration and Resource definition drilling within the WTP and the Central Tanami Project during the December 2010 half year. Drilling was a combination of RC, diamond core and aircore methods targeting grass roots prospects, advanced exploration prospects and Resource extensions.

At the **Western Tanami Project**, broad spaced reconnaissance aircore drilling totalling 17,220 metres was conducted across five prospect areas including Sandpiper, Hermes, Fleegle, Popeye and Olive. Anomalous results were returned from all prospects, with high priority follow-up drilling planned for Popeye and Olive areas together with the Cuckoo and Tern prospects in the Bald Hill area which were drilled earlier in 2010.

RC and diamond core drilling was completed at five deposits – Sandpiper, Kookaburra, Hutch's Find, Camel and Coyote West Lode totalling 5,389 metres. All prospects yielded significant results including 2.7 metres grading 5.7g/t and 2.2 metres @ 6.6g/t at Sandpiper, 39.9 metres @ 5g/t from Kookaburra, 19 metres @ 2.3g/t and 10 metres @ 5.4g/t from Hutch's Find, 7.2 metres @ 3.1g/t from Camel and 0.3 metres @ 25g/t from West Lode.

A Resource upgrade was completed for Western Tanami amounting to total Measured, Indicated and Inferred Resources of 3.119 million tonnes grading 5.5g/t for 554,700 ounces of gold (31% increase from the June 2009 estimate).

Resource definition drilling commenced at the **Central Tanami Project** during May 2010 and continued throughout the half-year ended 31 December 2010. Through systematic reverse circulation and diamond core drilling, the Company is testing for lateral and depth extensions to the gold Resources at high priority targets in close proximity to the 1.2Mtpa treatment plant. The drilling initially focussed on open pit resource extensions and progressed to testing deeper underground targets.

During the December 2010 half year, RC and DC drilling at CTP totalled 42,000 metres across eleven deposits – Tombola, Miracle, Southern, Dogbolter, Legs, Lynx, Bulldog, Phoenix, Carbine, Inca and Hurricane. All deposits yielded significant mineralisation which has been extensively reported in Quarterly and ASX releases. All deposits remain open at depth reinforcing the Company's confidence in significantly increasing Resources within the CTP tenements. Metallurgical test work commenced during the half-year on composite samples from predominantly fresh intervals of all the deposits tested to date.

An updated Mineral Resource Estimate for CTP was recently completed resulting in Measured, Indicated and Inferred Resources totalling 18.16 million tonnes grading 2.5g/t for 1.476 million ounces of gold. Total resources for the Company for the CTP and WTP now amount to 21.3Mt @ 3g/t for 2.03 million ounces of gold.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2010

Coyote Plant Upgrade

An engineering contract for the Stage 1 plant upgrade was awarded to GR Engineering Services Pty Ltd in November 2010. The Stage 1 expansion of the Coyote process plant has increased plant capacity to 350,000 tonnes per annum through the installation of three leach tanks and associated equipment. Work commenced in late November 2010 and was completed in March 2011 on schedule and within budget. The timing of the Stage II final engineering study which would see capacity increased to 500,000tpa has been extended to assess the operational performance of the Stage 1 upgrade, in conjunction with further optimisation studies.

Central Tanami Project Feasibility Study

Studies into the feasibility of recommissioning ore processing facilities at CTP have also commenced. A preliminary engineering and cost study for recommissioning the existing ore processing facilities has been completed by GR Engineering Services Pty Ltd and an engineering and cost study for providing new tailing storage facilities also underway. Production and operating scenarios are being developed and will be included in the feasibility options. The Feasibility Study is expected to be completed in the second half of 2011.

Corporate**Fully Underwritten Pro-Rata Renounceable Entitlements Issue**

On 15 July 2010, the Company announced a 6-for-5 pro-rata renounceable entitlements issue at 1.5 cents per share to raise approximately \$63.7 million before issue costs.

The entitlements issue was fully underwritten by the Company's major shareholder Allied Properties Resources Limited who received an underwriting fee of \$3,003,139 (being 6% of the net of the underwritten amount of \$63,691,021 less the underwriters entitlement of \$13,638,706) based on the underwriters direct shareholding in the Company prior to the commencement of the entitlements issue.

The proceeds of the issue were used to retire the Company's debt with AP Finance Limited and Eurogold Limited and have been used to accelerate exploration at the Central Tanami Project.

On 17 August 2010, the Company announced the successful completion of the entitlements issue.

Consolidation of Capital

On 15 July 2010, the Company announced that it would seek shareholder approval to undertake a 1-for-30 consolidation of the Company's capital. A General Meeting of the Company's shareholders was held on 20 August 2010 and the resolution for the consolidation of capital was passed. Following the consolidation, the Company has 260,947,676 shares on issue.

Provision of Limited Recourse Loans to Senior Employees

In July 2010, the Company put in place limited recourse loans with employees who held 19,500,000 1.3 cent options. The loans were to assist with the conversion of these options and associated rights into shares arising under the Company's 6:5 fully underwritten pro-rata renounceable entitlements issue.

These loans did not result in any cash outflow for the Company. The loans have a 24 month term, are interest free and total \$604,500.

The shares resulting from these loans cannot be sold or transferred until the loans are repaid in accordance with the terms and conditions of the underlying loan agreements. Should any of the employees to which the loans relate cease to be an employee of the Company then the loans are immediately repayable in accordance with the terms and conditions of the underlying loan agreements

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2010

Repayment of Loans: \$37 Million Loan Facility with AP Finance Limited

On 23 August 2010, the Company repaid all amounts owing (including accrued interest and borrowing costs) under its \$37 million loan with AP Finance Limited.

The Company, AP Finance Limited and Allied Properties Resources Limited entered into a Settlement and Offset Deed on 14 July 2010 to allow the underwriters entitlement and shortfall allocation under the entitlements issue to be offset against the amounts owing by the Company to AP Finance Limited under the Company's loan agreement with AP Finance Limited.

Allowing for this offset, the Company extinguished this loan with a repayment of approximately \$24.9 million on 23 August 2010.

Repayment of Loans: HK\$75 Million Loan Facility with AP Finance Limited

On 23 August 2010, the Company repaid all amounts owing (including accrued interest and borrowing costs) under its HK\$75 million loan with AP Finance Limited.

The Company extinguished this loan with a repayment of approximately \$10.9 million on 23 August 2010.

Repayment of Loans: \$5 Million Loan Facility with Eurogold Limited

On 23 August 2010, the Company repaid all amounts owing (including accrued interest and borrowing costs) under its \$5 million loan with Eurogold Limited.

The Company and Eurogold Limited agreed to allow Eurogold Limited's entitlement under the entitlements issue to be offset against the amounts owing by the Company to Eurogold Limited under the Company's loan agreement with Eurogold Limited.

Allowing for this offset, the Company extinguished this loan with a repayment of approximately \$2.7 million on 23 August 2010.

New Loan Agreement: HK\$152 million Loan Facility with AP Finance Limited

On 13 December 2010 the Company entered into a loan agreement with AP Finance Limited for the provision of up to HK\$152 million (approximately A\$19.9 million at an exchange rate of A\$1:HK\$7.6548). This loan agreement is for an unsecured cash advance facility that has an interest rate of 8% per annum and is due for repayment on 30 November 2011.

Funds drawn down under this agreement will be used to partly fund: the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital.

5. Subsequent Events

- (i) On 3 February 2011, the Company drew down an additional HK\$39 million to fund its exploration programs (approximately A\$4.9 million at an exchange rate of A\$1:HK\$7.886) under its HK\$152 million loan agreement with AP Finance Limited. These funds were used to fund the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital.
- (ii) On 28 February 2011, the Company drew down an additional HK\$47.5 million (approximately A\$6 million at an exchange rate of A\$1:HK\$7.887) under its HK\$152 million loan agreement with AP Finance Limited. These funds will be used to fund the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2010

6. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The directors have received confirmation from the auditor of Tanami Gold NL that they are independent of the Company.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on the following page and forms part of the directors' report for the half year ended 31 December 2010.

Signed in accordance with a resolution of the Directors:



G J Sloan
Managing Director/CEO

Perth, Western Australia

15 March 2011



Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Tanami Gold NL

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten version of the KPMG logo, with the letters 'KPMG' written in a cursive script.

A handwritten signature in cursive script that reads 'Grant Robinson'.
Grant Robinson
Partner

Perth

15 March 2011

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2010

	Note	31 Dec 2010 \$	31 Dec 2009 \$
Revenue from operating activities		26,945,850	28,545,288
Mine costs (including depreciation and amortisation)	6	(26,856,389)	(27,157,131)
Profit on sale of assets		-	11,747,461
Other income		53,435	20,299
Exploration and evaluation expenses	7	(4,913)	-
Administration and corporate expenses		(2,354,516)	(1,990,061)
Results from operating activities		<u>(2,216,533)</u>	<u>11,165,856</u>
Financial income		2,953,573	51,521
Financial expenses		(1,358,664)	(2,338,675)
Unrealised foreign exchange gain		636,246	456,255
Net financing income/(costs)		<u>2,231,155</u>	<u>(1,830,899)</u>
Share of loss of equity accounted investees (net of income tax)	10	(67,094)	(2,298,152)
Gain on dilution of shareholding in equity accounted investees (net of income tax)	10	198,100	-
Profit before tax		<u>145,628</u>	<u>7,036,805</u>
Income tax expense		-	-
Profit for the period		<u>145,628</u>	<u>7,036,805</u>
Other comprehensive income			
Share of other comprehensive income of equity accounted investees		50,837	-
Total comprehensive income for the period		<u>196,465</u>	<u>7,036,805</u>
Earnings per share			
Basic earnings per share		0.001	0.002
Diluted earnings per share		0.001	0.002

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the condensed notes to the consolidated interim financial report.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
For the half-year ended 31 December 2010

	Note	31 Dec 2010 \$	30 Jun 2010 \$
Assets			
Current Assets			
Cash and cash equivalents		8,870,344	6,728,829
Trade and other receivables		2,115,487	1,228,515
Inventories		5,720,195	6,228,263
Total Current Assets		<u>16,706,026</u>	<u>14,185,607</u>
Non-Current Assets			
Other receivables	8	5,971,773	10,594,867
Property, plant and equipment	9	26,642,010	23,378,524
Exploration and evaluation	7	40,697,840	29,201,662
Investment in associates	10	10,101,793	7,600,758
Derivatives	11	6,600,000	4,020,000
Total Non-Current Assets		<u>90,013,416</u>	<u>74,795,811</u>
Total Assets		<u>106,719,442</u>	<u>88,981,418</u>
Liabilities			
Current Liabilities			
Interest-bearing liabilities	12	5,355,350	54,985,980
Trade and other payables		13,438,166	7,600,478
Provisions		1,056,178	889,056
Total Current Liabilities		<u>19,849,694</u>	<u>63,475,514</u>
Non-Current Liabilities			
Interest bearing liabilities	12	175,686	250,981
Provisions		4,532,068	4,673,355
Total Non-Current Liabilities		<u>4,707,754</u>	<u>4,924,336</u>
Total Liabilities		<u>24,557,448</u>	<u>68,399,850</u>
Net Assets		<u>82,161,994</u>	<u>20,581,568</u>
Equity			
Issued capital	13	244,774,680	183,469,346
Accumulated losses		(163,089,727)	(163,764,772)
Share based payment reserve		477,041	876,994
Total Equity		<u>82,161,994</u>	<u>20,581,568</u>

The condensed consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the consolidated interim financial report.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total Equity \$
Balance at 1 July 2009	183,469,346	(164,118,439)	586,449	19,937,356
Total comprehensive income for the period				
Profit/(loss)	-	7,036,805	-	7,036,805
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	7,036,805	-	7,036,805
Transactions with owners, recorded direct in equity				
Contribution by and distributions to owners				
Share-based payment transactions	-	-	187,830	187,830
Total contributions by and distributions to owners	-	-	187,830	187,830
Shares issued during the half-year	-	-	-	-
Total transactions with owners	-	-	187,830	187,830
Balance as at 31 December 2009	183,469,346	(157,081,634)	774,279	27,161,991
Balance at 1 July 2010	183,469,346	(163,764,772)	876,994	20,581,568
Total comprehensive income for the period				
Profit/(loss)	-	196,465	-	196,465
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	196,465	-	196,465
Transactions with owners, recorded direct in equity				
Contribution by and distributions to owners				
Share-based payment transactions	-	-	78,627	78,627
Transfer of reserve upon exercise of options	-	478,580	(478,580)	-
Total contributions by and distributions to owners	-	478,580	(399,953)	78,627
Shares issued during the half-year, net of costs	61,305,334	-	-	61,305,334
Total transactions with owners	61,305,334	478,580	(399,953)	61,383,961
Balance as at 31 December 2010	244,774,680	(163,089,727)	477,041	82,161,994

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2010

	31 Dec 2010 \$	31 Dec 2009 \$
Cash Flows From Operating Activities		
Receipts from customers	26,999,284	28,565,587
Payments in the course of operations	(16,653,376)	(22,123,615)
Payments for withholding tax	(236,522)	-
Interest received	404,298	52,249
Interest paid	(2,436,344)	(280,134)
Net cash provided by operating activities	<u>8,077,340</u>	<u>6,214,087</u>
Cash Flows From Investing Activities		
Payments for development expenditure	(8,776,184)	(5,646,205)
Payments for exploration and evaluation	(8,536,146)	(1,137,468)
Payments for the purchase of equity investment	(2,319,192)	-
Proceeds from sale of other assets	-	1,500,000
Payments for property, plant and equipment	(3,929,782)	(448,976)
Proceeds from exploration security bonds	5,223,561	5,000
Net cash used in investing activities	<u>(18,337,743)</u>	<u>(5,727,649)</u>
Cash Flows From Financing Activities		
Net proceeds from issue of shares	60,700,834	-
Repayment of borrowings	(53,324,029)	(45,621)
Proceeds from borrowings	5,025,113	3,000,000
Net cash provided by financing activities	<u>12,401,918</u>	<u>2,954,379</u>
Net increase in cash and cash equivalent	2,141,515	3,440,817
Cash and cash equivalents at the beginning of the half year	6,728,829	1,157,195
Cash and cash equivalents at the end of the half year	<u>8,870,344</u>	<u>4,598,012</u>

The condensed consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Reporting Entity

Tanami Gold NL (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2010 comprise the Company and its subsidiary (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities. The Consolidated Entity primarily is involved in gold mining operations and mineral exploration.

The consolidated annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2010 are available upon request from the Company's registered office at Level 4, 50 Colin Street, West Perth, Western Australia 6005 or at www.tanami.com.au.

2. Statement of Compliance

These condensed consolidated interim financial statements are a general purpose financial report which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Consolidated Entity as at and for the year ended 30 June 2010.

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 March 2011.

3. Going Concern Basis of Preparation

The going concern basis of preparation has been adopted.

The Consolidated Entity has generated a net profit for the period ended 31 December 2010 of \$145,628 (2009: Profit \$7,036,805). At 31 December 2010, it had a net working capital deficiency of \$3,143,668 (30 June 2010: deficiency of \$49,289,907).

The Company has an unsecured loan facility with AP Finance Limited (of which the ultimate holding company is Allied Group Limited, an entity associated with Mr Lee Seng Hui, who is a Director of the Company) totalling HKD 152 million (approximately AUD 19.24 million as at 31 December 2010). The facility is unsecured and repayable on 30 November 2011.

At the date of this report, funds drawn down under the HKD 152 million loan facility with AP Finance Limited have been and continue to be used to fund the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital. In addition to the existing loan, the Company has an in-principle arrangement with AP Finance Limited to increase the facility to AUD 40 million (subject to agreeing on the terms of a written agreement between the Company and AP Finance Limited) should further funding be required.

In the event that the Coyote and Bald Hill operations fail to achieve anticipated production and cash flow outcomes, the Company may be required to source additional cash from debt or equity markets. The Company has demonstrated historically that it can raise funds through both debt and equity avenues and can repay its debts as and when they fall due.

Given the above and based upon the current production forecasts from the Company's Coyote and Bald Hill operations, the Directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable and the Directors are confident that the going concern basis of preparation remains appropriate.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
4. Significant Accounting Policies

The accounting policies applied by the Consolidated Entity in these condensed consolidated interim financial statements are the same as those applied by the Consolidated Entity in its consolidated financial statements as at and for the year ended 30 June 2010, with the exception of the deferred stripping accounting policy noted below.

(i) Deferred Stripping

The amount of stripping costs deferred for open pit mining is based upon a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of pit ratio. Such deferred costs are subsequently expensed to the extent that the current period ratio falls short of the life of pit ratio. The life of pit ratio is based on pit resources.

The life of pit waste-to-ore ratio is a function of pit design and therefore changes to that design will generally result in changes to the ratio. Changes in other technical or economic parameters that impact on resources will also have an impact on the life of pit even if they do not affect the pit design. Changes to the life of pit ratio are accounted for prospectively.

5. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010, except for deferred stripping costs as noted in section 4.

6. Mine Costs

Included in mine costs for the period are the following:

	31 Dec 2010	31 Dec 2009
Mine costs		
Mining	10,416,340	12,688,172
Processing	6,388,766	5,463,435
Site Administration	1,763,584	1,757,803
Depreciation and amortisation	8,287,699	7,247,721
	<u>26,856,389</u>	<u>27,157,131</u>

7. Exploration and evaluation

	31 Dec 2010	30 Jun 2010
Exploration and evaluation costs carried forward in respect of areas of interest	40,697,840	29,201,662
Reconciliation of movement during the period		
Carrying amount at beginning of period	29,201,662	3,992,169
Expenditure during period	11,501,091	5,245,461
Acquisition of Central Tanami mineral resources	-	20,719,222
Expenditure written off	(4,913)	(671)
Carrying value of tenements sold	-	(754,519)
	<u>40,697,840</u>	<u>29,201,662</u>

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
8. Other Receivables

Non-Current	31 Dec 2010	30 Jun 2010
Other Receivables		
Other debtors (a)	5,367,273	10,594,867
Limited recourse loans (b)	<u>604,500</u>	<u>-</u>
	<u>5,971,773</u>	<u>10,594,867</u>

(a) Non-current other debtors represent term deposits placed in support of environmental performance bonds lodged with the Minister for State Development (WA) \$2,190,000 (30 June 2010: \$2,190,000), Newmont Australia Limited \$1,105,000 (30 June 2010 \$8,078,518) and the Department of Resources \$1,777,426 (30 June 2010: nil). In addition, \$177,273 (30 June 2010: \$181,306) has been held as a rental bond for the corporate office and excess funds of \$117,574 are held in term deposit with the National Australia Bank Limited for future bond requirements.

(b) In July 2010, the Company put in place limited recourse loans with employees who held 19,500,000 1.3 cent options. The loans were to assist with the conversion of these options and associated rights into shares arising under the Company's 6:5 fully underwritten pro-rata renounceable entitlements issue announced on 15 July 2010.

These loans did not result in any cash outflow for the Company. The loans have a 24 month term, are interest free and total \$604,500.

The shares resulting from these loans cannot be sold or transferred until the loans are repaid in accordance with the terms and conditions of the underlying loan agreements. Should any of the employees to which the loans relate cease to be an employee of the Company then the loans are immediately repayable in accordance with the terms and conditions of the underlying loan agreements.

9. Property, Plant and Equipment

	31 Dec 2010	30 Jun 2010
Property, plant and equipment (at cost net of depreciation and amortisation)	<u>26,642,010</u>	<u>23,378,524</u>
Reconciliation		
Carrying amount at beginning of period	23,378,524	21,223,271
Additions (i)	11,208,972	16,239,689
Disposals (ii)	-	(57,500)
Accumulated depreciation on disposals	-	20,762
Depreciation and amortisation *	(8,287,699)	(14,946,398)
Depreciation capitalised in exploration and evaluation asset	(338,468)	-
Movement in capital works in progress	<u>680,681</u>	<u>898,700</u>
	<u>26,642,010</u>	<u>23,378,524</u>

* Depreciation and amortisation cost for the half-year ended 31 December 2009 was \$7,247,721.

(i) Additions for the half-year ended 31 December 2010 consist of:

Buildings	913,024	208,001
Plant and equipment	1,123,500	4,602,178
Motor vehicles	25,000	122,379
Furniture and fittings	44,268	202,032
Rehabilitation asset	-	298,195
Mine development	7,081,288	10,806,904
Deferred stripping	<u>2,021,892</u>	<u>-</u>
	<u>11,208,972</u>	<u>16,239,689</u>

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
10. Investment in associates

The Consolidated Entity's share of losses in its equity accounted investee for the period from 1 July 2010 to 31 December 2010 was \$67,094 (2009: \$2,298,152).

The Consolidated Entity's shareholding in its equity accounted investee has reduced from 21.57% as at 1 July 2010 to 20.78% as at 31 December 2010. This reduction has been caused by the exercise of options in the equity accounted investee by shareholders other than Tanami Exploration NL, the entity that owns shares and options in the equity accounted investee. A gain of \$198,100 was recognised in relation to this dilution.

Reconciliation of Investment in Equity Accounted Investee

	31 Dec 2010	30 Jun 2010
Balance at 1 July	7,600,758	-
Initial investment	-	6,334,032
Increase in investment due to take up of rights issue	2,319,192	4,242,038
Share of loss	(67,094)	(2,975,312)
Gain on dilution of shareholding	198,100	-
Other comprehensive income	50,837	-
Balance as 31 December 2010	<u>10,101,793</u>	<u>7,600,758</u>

11. Derivatives

	31 Dec 2010	30 Jun 2010
Non-current investments		
Options over ABM Resources NL shares	6,600,000	4,020,000

The values of these options were recognised initially at fair value. Subsequent to initial recognition, these options are measured at fair value and changes therein are recognised immediately in profit or loss. The fair value movement in the derivatives during the period was a gain of \$2,580,000 (2009: \$1,815,000 loss) and is included in financial income within the condensed consolidated statement of comprehensive income.

12. Interest Bearing Liabilities
(a) Finance Lease Liabilities

	31 Dec 2010	30 Jun 2010
(i) Current: Finance lease liabilities	150,588	150,588
(ii) Non-current: Finance lease liabilities	175,686	250,981
	<u>326,274</u>	<u>401,569</u>

(b) Loans

	Effective Interest Rate	Maturity	31 Dec 2010	30 Jun 2010
HKD 75 million (i)	12%	31 Dec 2010	-	11,651,063
AUD 37 million (i)	12%	27 Sept 2010	-	38,179,945
AUD 5 million (i)	8%	27 Sept 2010	-	5,004,384
HKD 41 million (ii)	8%	30 Nov 2011	5,204,762	-
Balance as 31 December 2010			<u>5,204,762</u>	<u>54,835,392</u>

(i) These loan facilities were fully repaid on 23 August 2010.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
12. Interest Bearing Liabilities (continued)

- (ii) On 13 December 2010, the Company entered into a loan agreement with Hong Kong based AP Finance Limited for the provision of up to HK\$152 million (approximately A\$19.9 million at an exchange rate of A\$1:HK\$7.6548). As at 31 December 2010, the Company had drawn down a total of HK\$41 million which equated to approximately A\$5.2 million at an exchange rate of AUD1:HKD7.9033. These funds were used to fund the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital.
- (iii) Refer to note 16 for drawdowns under the HK\$152 million loan agreement that have occurred subsequent to 31 December 2010.

The ultimate holding company of AP Finance Limited is Allied Group Limited, an entity associated with Mr Lee Seng Hui who is a Director of the Company.

13. Issued Capital
Share Placements

On 17 August 2010, the Company completed a fully underwritten, pro-rata renounceable entitlements issue which raised approximately \$63.7 million before issue costs.

On 20 August 2010, the Company obtained approval at a general meeting of shareholders for a 1 for 30 consolidation of its issued capital.

Upon completion of this consolidation of the Company's issued capital, the Company had 260,947,676 shares on issue.

Share Options

There were no options issued during the half-year ended 31 December 2010. Refer to note 8 regarding the exercise of employee options during the period.

14. Segment information

The consolidated entity operates in the gold exploration and gold mining industry in the Tanami region of central Australia.

Information about reportable segments

	Gold Production		Gold Exploration		Total	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Revenues	26,945,850	28,545,288	-	-	26,945,850	28,545,288
Reportable segment profit/(loss) before income tax	89,461	1,388,157	(4,913)	-	84,548	1,388,157

In thousands of AUD	Gold Production		Exploration		Segment Total		Unallocated Assets		Consolidated	
	Dec 10	Jun 10	Dec 10	Jun 10	Dec 10	Jun 10	Dec 10	Jun 10	Dec 10	Jun 10
Segment Assets	33,362	30,347	43,509	31,669	76,871	62,016	29,848	26,965	106,719	88,981

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS
14. Segment information (continued)
Reconciliation of reportable segment profit or loss

	31 Dec 2010	31 Dec 2009
Total profit for reportable segments	84,548	1,388,157
Other profit/(loss)	<u>(69,926)</u>	<u>(3,800,661)</u>
	14,622	(2,412,504)
Profit/(loss) on sale of assets	-	11,747,461
Share of loss of equity accounted investees	(67,094)	(2,298,152)
Gain on dilution of shareholding in equity accounted investees	<u>198,100</u>	<u>-</u>
Consolidated profit before tax	<u>145,628</u>	<u>7,036,805</u>

15. Related Parties
Transactions with key management personnel

Key management personnel received compensation in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total compensation of \$859,745 for the six months ended 31 December 2010 (six months ended 31 December 2009 \$979,469)

Other related party transaction

There were no significant related party transactions other than that disclosed in note 12.

16. Subsequent Events

- (i) On 3 February 2011, the Company drew down an additional HK\$39 million to fund its exploration programs (approximately A\$4.9 million at an exchange rate of A\$1:HK\$7.886) under its HK\$152 million loan agreement with AP Finance Limited. These funds were used to partly fund the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital.
- (ii) On 28 February 2011, the Company drew down an additional HK\$47.5 million (approximately A\$6 million at an exchange rate of A\$1:HK\$7.887) under its HK\$152 million loan agreement with AP Finance Limited. These funds will be used to partly fund the pre-strip of open pit mining at Bald Hill, the Company's significant exploration programs at its Western Tanami Project and its Central Tanami Project, the Stage 1 upgrade of the Western Tanami processing plant and to provide additional working capital.

DIRECTORS' DECLARATION
For the half-year ended 31 December 2010

In accordance with a resolution of the Directors of Tanami Gold NL, I state that:

In the opinion of the directors:

- a) the financial statements and notes set out on pages 9 to 18, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



G J Sloan

Managing Director/CEO

Perth, Western Australia

15 March 2011



Independent auditor's review report to the members of Tanami Gold NL

Report on the financial report

We have reviewed the accompanying consolidated interim financial report of Tanami Gold NL, which comprises the condensed consolidated interim statement of financial position as at 31 December 2010, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors' determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Tanami Gold NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Tanami Gold NL is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG


Grant Robinson
Partner

Perth

15 March 2011