TANAMI GOLD NL

ABN 51 000 617 176

2012 ANNUAL FINANCIAL REPORT

The Directors present their report together with the consolidated financial report of the Consolidated Entity, being the Company and its subsidiaries for the year ended 30 June 2012 and the auditor's report thereon.

1. Directors

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

Non-Executive Chairman – Arthur G Dew, B.A., L.L.B. (appointed 2 December 2011)

Mr Arthur Dew is a non-practising Barrister with a broad range of corporate and business experience and has served as a Director, and in some instances Chairman of the Board of Directors, of a number of public listed companies in Australia, Hong Kong and elsewhere. He is Chairman and Non-Executive Director of Allied Group Limited, a Hong Kong listed company which is indirectly Tanami Gold NL's largest shareholder. Mr Dew is also Chairman and Non-Executive Director of the Hong Kong listed companies, Allied Properties (H.K.) Limited and Allied Overseas Limited and is a Non-Executive Director of SHK Hong Kong Industries Limited.

Special responsibilities - Member of the Audit Committee and the Remuneration and Nomination Committee.

Deputy Chairman/Executive Director – Denis P Waddell, ACA, FAICD (appointed 21 July 1995)

Mr Denis Waddell is a Chartered Accountant with extensive experience in the management of exploration and mining companies. Prior to establishing Tanami Exploration NL in 1994, he was the Finance Director of the Metana Minerals NL group. During the past 29 years, he has gained considerable experience in corporate, finance and operations management of exploration and mining companies. Mr Waddell is also the Chairman of Orion Gold NL and was appointed to that position on 27 February 2009.

Special responsibilities - Member of the Audit Committee and the Remuneration and Nomination Committee.

Non-Executive Director – Alan A Senior, AsscshpMechEng, FIEAUST, FAusIMM (appointed 31 July 2007)

Mr Alan Senior is a Consulting Engineer with over 30 years of experience in design and project development mainly associated with the mining and mineral processing industry in Australia. Mr Senior's previous roles include Project Manager for the development of the Cosmos Nickel Mine and the subsequent transition from open cut to underground mining for Jubilee Mines NL. Mr Senior is also the independent Non-Executive Chairman of Talisman Mining Limited and was appointed to that position on 7 November 2007.

Special responsibilities - Chairman of the Risk Committee, Chairman of the Remuneration and Nomination Committee and Member of the Audit Committee.

Non-Executive Director – Lee Seng Hui, LL.B (appointed 5 March 2008)

Mr Lee Seng Hui is currently the Chief Executive of Allied Group Limited (AGL), a Hong Kong listed company, having been appointed in January 1998. Mr Lee graduated with Honours from the Law School of the University of Sydney and worked with Baker & McKenzie and N M Rothschild & Sons (Hong Kong) Limited. Following his appointment as a Non-Executive Director of AGL in July 1992, Mr Lee became an Executive Director of AGL in December 1993. On 2 October 2009, Mr Lee was appointed as a Non-Executive Director of APAC Resources Limited which is a Hong Kong listed company. On 18 June 2010, Mr Lee was appointed as the Chief Executive and Executive Director of Allied Properties (H.K.) Limited (APL) which is a Hong Kong listed company and a non wholly-owned subsidiary of AGL. He is also a Non-Executive Director and Chairman of Tian An China Investments Company Limited which is a Hong Kong listed company and an associate of AGL and APL. Mr Lee was appointed to the Board of Mount Gibson Iron Limited as a Non-Executive Director on 29 January 2010.

Non-Executive Director – Carlisle C Procter, B.Ec, M.Ec, FFin, (appointed 9 December 2011)

Mr Carlisle Procter graduated from the University of Sydney with a Bachelor's Degree and a Master's Degree in Economics. He is a fellow of the Financial Services Institute of Australasia (FFin.). Based in Australia, Mr Procter worked in the Reserve Bank of Australia for over 30 years, holding various senior management positions. Since leaving the Reserve Bank, he has worked as a consultant to the International Monetary Fund and the Asian Development Bank and has also undertaken private consulting work in the Philippines, Indonesia and Papua New Guinea in the areas of bank supervision, anti-money laundering and corporate governance respectively. Mr Procter is currently a Non-Executive Director of Bank South Pacific Limited, a company listed on the Port Moresby Stock Exchange, and an independent Non-Executive Director of Sun Hung Kai & Co Limited and Allied Overseas Limited.

Special responsibilities – Chairman of the Audit Committee and Member of the Risk Committee.

Managing Director/CEO – Graeme J Sloan, B.App.Sc (Mining), Dip Mine Survey, MAusIMM (appointed 18 September 2008; resigned 9 December 2011)

2. Company Secretary

Jon Latto B.Com CA MBA GradDipAppCorpGov ACIS

Mr Jon Latto, the Company's Chief Financial Officer, was appointed Company Secretary on 1 September 2010. Mr Latto is a Chartered Accountant with over 18 years' experience gained both locally and internationally. Prior to joining Tanami Gold NL in November 2007, Mr Latto was a Senior Manager within Ernst & Young's Business Advisory Services division working in Australia, America and India on projects focussed primarily on finance function reform. Prior to this, Mr Latto held roles with Iluka Resources Limited in Australia and Halifax Bank of Scotland and Cable & Wireless Plc in London. Mr Latto qualified as a Chartered Secretary in September 2009.

3. Directors' Meetings

Director	Board Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr A Dew	2	2	1	1	-	-
Mr D Waddell	7	7	2	2	-	-
Mr A Senior	7	7	2	1	-	-
Mr SH Lee	7	7	-	-	-	-
Mr C Procter	1	1	1	1	-	-
Mr G Sloan	6	6	1	1	-	-

4. Nature of Operations and Principal Activities

The Company is a no liability company and is domiciled and incorporated in Australia. The principal activity of the Consolidated Entity during the course of the financial year was gold mining operations and mineral exploration.

5. Operating and Financial Review

Community Relations

The Company recognises the importance of developing relationships based on trust and mutual advantage and in respecting the needs and concerns of the communities located within the regions in which it operates.

The Company has agreements in place with the Traditional Owners and is committed to building strong relationships by:

- Being open and transparent in its communications;
- Improving cross-cultural awareness through training and education;
- Developing community relations management procedures that include business alliances, employment and training initiatives;
- Being sensitive to the values and heritage issues of the local communities; and
- Being a good neighbour.

Coyote Gold Project

The Coyote Gold Project overcame several challenges during the year to deliver 41,184 ounces of gold at an average cash cost of $1,022 per ounce (including royalties). Challenges included a significant bush fire event, a reduced mineral Resource base upon which to draw and ageing mining equipment. The Company has worked diligently to rectify these issues over the course of the year and has:

- Improved key components of its infrastructure, including an upgrade to its Tailings Storage Facility;
- Developed a robust and greatly enhanced conceptual exploration model targeting additional underground Resources; and
- Embarked on a significant replacement and rebuilding program for its mining equipment.

These improvements have had a positive impact on operations at the Coyote Gold Project and are expected to deliver ongoing benefits to the Company as it continues to optimise and improve its operations.

Central Tanami Project Definitive Feasibility Study

The Company's Central Tanami Project (CTP) was acquired from Newmont Australia Limited in March 2010 and following this acquisition, the Company commenced a Pre-Feasibility Study (PFS) for the development of the CTP.

5. Operating and Financial Review (continued)

In December 2011 the Company's restructured Board and management team, following strong exploration success at the Groundrush deposit, decided to delay the delivery date of the CTP PFS. This strategic decision was undertaken to allow adequate time for:

- Resource delineation drilling and evaluation studies (appropriate to the potential of the deposit) to be completed; and
- To enable the preparation of an optimised and robust mine plan.

The CTP PFS was completed on schedule early in 2012 and the Company's Board of Directors elected to proceed with a Definitive Feasibility Study (DFS) aimed at recommissioning the CTP operations.

The Company has made solid progress on the DFS with key achievements being:

- Substantial Resource growth at the Groundrush Deposit to 1 million ounces;
- Metallurgical testwork is well advanced, with indications of a 95% recovery for Groundrush;
- Site civil geotechnical work for the Tailings Storage Facility has been completed;
- Environmental and hydrological studies are well advanced;
- Evaluation of mining, airfield upgrade and power and water supply options are in progress; and
- Permitting requirements are on schedule.

Early indications are that the DFS should provide a compelling investment case based on robust economics, low start-up capital requirements, low execution risk and substantial organic growth opportunities. The DFS is on track for completion by April 2013.

Coyote Mine Exploration

In January 2012, a fresh geological approach and reinterpretation was applied to the Coyote deposit aimed at expanding the scope of the conceptual exploration model. The overarching objective of the exploration effort is to build a substantial geological mineral Resource thereby allowing the mining operations to move to a sustainable medium and long term mine plan.

The most immediate outcome from the reinterpretation was the generation of additional drill targets within the mine corridor. Importantly, these areas are proximal to the existing mine development and infrastructure. Three drill rigs, one surface multi-purpose drill rig and two Company owned and operated underground diamond rigs are currently deployed to test these targets. Additionally, the reinterpretation of the Coyote Deposit has elevated the prospectivity of several targets located deeper within the Coyote Anticline.

Central Tanami Exploration

The past 12 months has been an extremely active period for the Central Tanami exploration team, with 19,035 metres of reverse circulation drilling and 29,112 metres of diamond core drilling completed. Drilling has been carried out on a combination of historic deposits and lesser advanced prospects, all of which have delivered significant results to date.

In addition to Groundrush, the Company has delivered a maiden Resource estimate for the Ripcord deposit of 1,100,000t at 2.53g/t for 89,000 ounces of gold. Preliminary investigations into the mining potential of this deposit have returned promising results. The Company continues to investigate the synergies of adding another potential open pit mining operation at Ripcord which would complement the Groundrush mine given the close proximity of the deposits.

Western Dolerite

The Company continues to examine other dolerite units surrounding the Groundrush dolerite, with particular interest being shown in the Western Dolerite, situated approximately 100 metres to the west of the Groundrush Deposit. Mineralisation was first identified during routine sampling of pre-collars for diamond holes that were targeting the deeper Groundrush mineralisation in March 2012.

The Western Dolerite mineralisation is highly significant as it is the first mineralisation identified outside the main Groundrush Dolerite and opens up potential for the surrounding dolerites to host gold mineralisation. This new zone of mineralisation remains open and untested to the south.

Beaver Deposit

The Beaver Deposit is situated on Mining Lease MLS180, 36 kilometres west of the Central Tanami plant. It was mined from June 1999 to February 2001 by Otter Gold Mines Limited, producing 57,000 ounces of gold.

A comprehensive project review was carried out by Tanami geologists in April 2012 which identified multiple areas where the Resource had significant potential to be expanded.

5. Operating and Financial Review (continued)

The significance of this second zone of mineralisation is that it enhances the open pit viability of the deposit. Geological interpretation and Resource modelling is underway which once completed, will enable open pit optimisation to be carried out. Due to its proximity to the Coyote treatment plant (64 kilometres), this deposit also has the potential to provide additional open pit ore feed to Coyote.

Corporate

Board Restructure and Management Changes

On 9 December 2011, the Company's former Managing Director/CEO, Mr Graeme Sloan resigned to pursue personal interests.

On 12 December 2011, the Company announced that its Board had been strengthened with the appointment of Mr Arthur Dew and Mr Carlisle Procter as Non-Executive Directors of the Company. Both Mr Dew and Mr Procter have significant corporate experience which is outlined in Section 1 of this Report. Mr Dew was also elected Chairman of the Board with Mr Denis Waddell assuming the role of Deputy Chairman.

The Company is being managed by Denis Waddell and the Company's senior executive team along with assistance from the Board.

The Company also strengthened its management team with the promotion of Mr Andrew Czerw to General Manager of the Company on 1 January 2012. Mr Czerw is a highly experienced, multi-disciplined geoscience professional with over 22 years of significant senior management experience in Australia and overseas.

Sale of the Majority of the Company's Shareholding in ABM Resources NL

On 13 February 2012, the Company announced that it had entered into an agreement to sell the majority of the Company's shareholding in ABM Resources NL. As part of this transaction, the Company:

- Sold 508,014,212 shares in ABM Resources NL to APAC Resources Capital Limited on 15 February 2012;
- Converted its 300,000,000 options in ABM Resources NL to shares at an exercise price of 1.5 cents per option; and
- Sold a further 139,896,797 shares in ABM Resources NL to APAC Resources Capital Limited.

The Company realised gross proceeds of $32,395,550 from this transaction which were utilised as follows:

- $4.5 million was used to convert the Company's 300 million options in ABM Resources to shares;
- $5.1 million was retained by the Company as working capital; and
- $22.7 million was paid to AP Finance Limited to significantly reduce the Company's debt.

Loan Facility with AP Finance Limited

During the year ended 30 June 2012, the Company has continued to use its unsecured loan facility with AP Finance Limited to assist with funding its:

- Intensive exploration programs at both the Company's Coyote Gold Project and the Central Tanami Project which have resulted in significant increases in the Company's Resources;
- Definitive Feasibility Study for the development of the Central Tanami Project;
- Ongoing care and maintenance costs at the Central Tanami Project;
- Progressive refurbishment of the Company's mining equipment, support equipment and camp infrastructure;
- Other capital upgrades such as increases to the Tailings Storage Facility at the Coyote Gold Project; and
- Provision of additional working capital.

The Company has an unsecured loan facility with AP Finance Limited for HK$280.7 million (approximately A$35.52 million) that has a 30 June 2014 repayment date. As at 30 June 2012, the Company had drawn down HK$216.7 million (approximately A$27.42 million), leaving it with HK$64 million (approximately A$8.10 million) in undrawn loan funds under its facility with AP Finance Limited.

Financial Result

The Consolidated Entity has generated a total comprehensive loss for the period ended 30 June 2012 of $4,326,014 (2011: Profit $1,070,896).

5. Operating and Financial Review (continued)

Growth Strategy

The Company's growth strategy is to:

- Optimise production and lower operating costs at its Coyote Gold Mine;
- Complete the Definitive Feasibility Study for the development of the Central Tanami Project by April 2013;
- Target first gold from the Central Tanami Project by mid-2014 (based on the successful completion of the Definitive Feasibility Study and Board approval); and
- Continue a watching brief on value accretive corporate opportunities that complement the Company's existing assets and expertise.

Conclusion

The acquisition of the Central Tanami Project from Newmont Australia Limited in March 2010 combined with the continued turnaround in the performance of the Coyote Gold Mine and the ongoing flow of exceptional exploration results at both Central Tanami (Groundrush deposit) and Coyote Gold Mine has provided the Company with the platform necessary to allow it to work towards its stated objective of becoming a leading mid-tier Australian gold producer.

The impressive growth in the Company's total Mineral Resources, in particular the Groundrush deposit, should allow long mine life operations which are further supported through the Company's 100% ownership of over 4,000 square kilometres of extremely prospective exploration tenements.

With targeted production of 45,000 - 50,000 ounces of gold from the Coyote Gold Mine for the year ending 30 June 2013, the completion of the Central Tanami Definitive Feasibility Study by April 2013, the development of the Central Tanami Project following Board approval, and an ongoing intensive exploration program, the Company is well positioned for strong growth.

6. Environmental Regulation

The Consolidated Entity's operations are subject to environmental regulations under Commonwealth and State legislation. The Directors believe that the Consolidated Entity has adequate systems in place for the management of the requirements under those regulations, and are not aware of any breach of such requirements as they apply to the Consolidated Entity.

7. Significant Changes in the State of Affairs

Significant changes to the Company's State of Affairs have been set out in section 5 above.

8. Dividends

The Directors have not recommended the declaration of a dividend. No dividends were paid or declared during the year.

9. Events Subsequent to Reporting Date

Drawdown of Additional Funds under Loan Facility with AP Finance Limited

During the period from 1 July 2012 to 20 September 2012, the Company progressively drew down its remaining HK$64 million under its unsecured loan facilities with AP Finance Limited, receiving approximately A$8.93 million over 5 drawdowns. As indicated in the Corporate section of this report above, these drawdowns were used to assist with funding the Company's:

- Intensive exploration programs at both the Company's Coyote Gold Project and the Central Tanami Project which have resulted in significant increases in the Company's Resources;
- Definitive Feasibility Study for the development of the Central Tanami Project;
- Ongoing care and maintenance costs at the Central Tanami Project;
- Progressive refurbishment of the Company's mining equipment, support equipment and camp infrastructure;
- Other capital upgrades such as increases to the Tailings Storage Facility at the Coyote Gold Project; and
- Provision of additional working capital.

10. Likely Developments

The Company will continue to develop and optimise the Coyote Gold Mine and develop and commission the Central Tanami Project (subject to Board approval). In addition, the Company plans significant expenditure on intensive Resource and Reserve definition and exploration programs across the Company's large prospective tenement holdings which should add significantly to the Company's Resource and Reserve inventory.

11. Directors' Interests

The relevant interest of each director in shares and options of the Company, as notified by the directors to the Australian Securities Exchange in accordance with section S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Directors	Relevant Interest of Directors in Securities of Tanami Gold NL	
	Fully Paid Shares	Unquoted Options
Mr A Dew	-	-
Mr D Waddell	5,772,134	-
Mr A Senior	66,705	416,668
Mr SH Lee*	61,378,788	-
Mr C Procter	-	-

** These shares are held by Allied Properties Resources Limited, a company in which Mr SH Lee (together with others as trustees of the Lee and Lee Trust) has an interest of 64.90%. Accordingly, Mr SH Lee is taken to have a relevant interest in the 61,378,788 shares held by Allied Properties Resources Limited.*

12. Share Options

Options granted to Directors and Executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise Price	Expiry Date
Directors			
Mr A Dew	-	-	-
Mr D Waddell	-	-	-
Mr A Senior	300,000	$1.34	22 December 2016
Mr SH Lee	-	-	-
Mr C Procter	-	-	-
Executives			
Mr A Czerw	500,000	$0.90	28 March 2017
Mr A Czerw	500,000	$1.00	28 March 2017
Mr A Czerw	500,000	$1.10	28 March 2017
Mr J Latto	250,000	$0.90	28 March 2017
Mr J Latto	250,000	$1.00	28 March 2017

All options were granted during the financial year. No options have been granted to key management personnel of the Company since the end of the financial year.

12. Share Options (continued)

Unissued shares under option

At the date of this report the unissued ordinary shares in the Company under option are:

Number	Type	Exercise Price	Expiry Date
58,334	Unquoted	$6.00	22 November 2012
58,334	Unquoted	$4.50	22 November 2012
300,000	Unquoted	$1.34	22 December 2016
2,300,000	Unquoted	$0.90	28 March 2017
2,300,000	Unquoted	$1.00	28 March 2017
500,000	Unquoted	$1.10	28 March 2017
5,516,668			

All options expire on the earlier of their expiry date or six months from the date on which the option holder's employment with the Company is terminated, subject to the Board of Directors waiving this condition. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the year, the following options were forfeited due to performance criteria not being achieved or cessation of employment.

Exercise Price	Number of Options	Grant Date	Expiry Date
$4.50	30,000	20 April 2007	31 March 2012

Shares issued

Since the end of the financial year, there were no shares issued.

Shares issued on exercise of options

During the financial year, no shares were issued by the Company as a result of the exercise of options.

13. Remuneration Report – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity. Key management personnel comprise the directors of the Company and executives of the Company and the Consolidated Entity including the most highly remunerated Company and Consolidated Entity executives.

Compensation levels for key management personnel of the Company and relevant key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and to achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation and equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

The Board has no established retirement or redundancy schemes.

13.1.1 Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual performance and the overall performance of the Consolidated Entity.

13. Remuneration Report – audited (continued)

13.1.2 Performance-linked Compensation (short-term incentive bonus)

The Company has not paid any performance linked short-term incentives to key management personnel during the financial year ended 30 June 2012.

13.1.3 Equity-based Compensation (long-term incentive bonus)

The Company has put in place an Option and Performance Rights Plan. Options may only be issued to directors subject to approval by shareholders in a general meeting.

The Remuneration and Nomination Committee uses equity-based long-term incentives (LTIs) where appropriate to promote continuity of employment and to provide additional incentive to increase shareholder wealth. LTIs are provided as options over ordinary shares of the Company and are provided to key management personnel and employees based on their level of seniority and position within the Company and are exercisable on various dates.

LTIs shall be in such form and content and with such terms and conditions as the Board determines, including exercise price, vesting conditions, disposal conditions and terms of expiry.

If the option holder ceases to be a director and/or employee of the Company during the vesting period for any reason, the options will expire six months after cessation (subject to the exercise of discretion by the Board) and cease to carry any rights or benefits unless otherwise approved by the Remuneration and Nomination Committee.

There are no voting or dividend rights attached to the options. Voting rights will be attached to the ordinary issued shares when the options have been exercised.

On 20 September 2012 the Company introduced a policy that prohibits those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. Entering into such arrangements has been prohibited by law since 1 July 2011.

13.1.4 Consequences of Performance on Shareholder Wealth

The Company continues to focus on enhancing shareholder wealth through the development of a significant production profile and an ongoing commitment to exploration aimed at increasing the Company's Resource inventory at its Coyote Gold Project and at its Central Tanami Project. To assist shareholders in assessing the Consolidated Entity's performance and benefits for shareholder wealth, the Company reports the following data for the current financial year and the previous four financial years:

	2012	2011	2010	2009	2008
(Loss)/profit attributable to owners of the Company	($4,304,922)	$972,405	$353,667	($21,029,451)	($32,585,921)
Dividends paid	-	-	-	-	-
Share price as at 30 June	$0.730	$0.895	$0.041	$0.028	$0.066

13.1.5 Service Contracts

Compensation and other terms of employment for directors and key management personnel are formalised in contracts of employment. The major provisions of the agreements relating to compensation are set out below.

Mr Denis Waddell – Deputy Chairman/Executive Director
Mr Waddell is employed on a contract basis as Executive Director. The arrangement can be terminated by either party without notice and without a termination payment. Mr Waddell has been Executive Director since 9 December 2011 and his duties as Executive Director are in addition to his duties as Deputy Chairman of the Company.

Mr Andrew Czerw – General Manager
Mr Czerw has a contract of employment with the Company dated 10 October 2011 as Geology Manager. The contract specifies the duties and obligations to be fulfilled by the Geology Manager. The contract may be terminated by either party by the provision of three months' notice, which, based on current remuneration rates, would amount to a termination payment of $90,000. Mr Czerw was appointed to the position of General Manager on 1 January 2012.

Mr Jon Latto – Company Secretary/Chief Financial Officer
Mr Latto has a contract of employment with the Company dated 14 September 2007. The contract specifies the duties and obligations to be fulfilled by the Chief Financial Officer. The contract may be terminated by either party by the provision of three months' notice, which, based on current remuneration rates, would amount to a termination payment of $73,750 (2011: $68,760). Mr Latto was appointed to the position of Company Secretary on 1 September 2010.

13. Remuneration Report – audited (continued)

13.1.5 Service Contracts (continued)

Mr Graeme Sloan – Managing Director/CEO (resigned 9 December 2011)
Mr Sloan had a contract of employment with the Company dated 18 September 2008. The contract specified the duties and obligations to be fulfilled by the Managing Director/CEO. The contract could be terminated by Mr Sloan on the provision of 3 months' notice or alternatively by the Company on the provision of 6 months' notice. Mr Sloan resigned on 9 December 2011.

Mr Don Harper – Chief Operating Officer (resigned 6 January 2012)
Mr Harper had a contract of employment with the Company dated 10 March 2011. The contract specified the duties and obligations to be fulfilled by the Chief Operating Officer. The contract could be terminated by either party by the provision of three months' notice. Mr Harper resigned on 6 January 2012.

No remuneration consultants were engaged by the Company during the year.

13.2 Non-executive directors

Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of any committee. The Board has not established retirement or redundancy schemes in relation to non-executive directors.

13. Remuneration Report – audited (continued)

13.3 Directors' and executive officers' remuneration

Details of the nature and amounts of each major element of the remuneration of each director of the Company and each of the named officers of the Company and the Consolidated Entity receiving the highest remuneration are:

		Short Term					Post Employment	Share Based Payments			
In dollars		Salary & Fees	Accrued Remuneration	Payment of Accrued Annual Leave & Long Service Leave	STI Cash Bonuses	Non Monetary Benefits	Super-annuation Benefits	Calculated Value of Options (Non Cash)	Total Remuneration	Proportion of Remuneration Performance Related %	Value of Options as a Proportion of Total Remuneration
Directors		$	$	$	$	$	$	$	$	%	%
A Dew (i)	2012	43,466	-	-	-	-	3,912	-	47,378	-	-
(Non-Executive Chairman)	2011	-	-	-	-	-	-	-	-	-	-
D Waddell	2012	372,250	98,000	-	-	8,741	-	-	478,991	-	-
(Deputy Chairman/Executive Director)	2011	197,500	39,500	-	-	5,889	-	-	242,889	-	-
A Senior	2012	55,000	-	-	-	-	4,950	130,151	190,101	-	68.46%
(Non-Executive Director)	2011	55,000	-	-	-	-	4,950	-	59,950	-	-
SH Lee	2012	32,083	-	-	-	-	2,888	-	34,971	-	-
(Non-Executive Director)	2011	10,000	-	-	-	-	-	-	10,000	-	-
C Procter (ii)	2012	-	32,083	-	-	-	2,888	-	34,971	-	-
(Non-Executive Director)	2011	-	-	-	-	-	-	-	-	-	-
Total all specified Directors	**2012**	**502,799**	**130,083**	**-**	**-**	**8,741**	**14,638**	**130,151**	**786,412**	**-**	**-**
	2011	**262,500**	**39,500**	**-**	**-**	**5,889**	**4,950**	**-**	**312,839**	**-**	**-**
Executives											
A Czerw (iii)	2012	192,500	-	-	-	4,979	17,325	118,083	332,887	-	35.47%
(General Manager)	2011	-	-	-	-	-	-	-	-	-	-
J Latto	2012	285,000	-	-	-	6,638	25,650	48,688	365,976	-	13.30%
(Company Secretary/Chief Financial Officer)	2011	265,833	-	-	-	4,765	23,925	3,636	298,159	-	1.22%
Former Executives											
G Sloan (iv)	2012	436,829	-	81,017	-	54,343	15,955	-	588,144	-	-
(Managing Director/CEO)	2011	400,000	-	-	-	73,062	36,000	-	509,062	-	-
D.Harper (v)	2012	278,182	-	17,460	-	-	16,936	-	312,578	-	-
(Chief Operating Officer)	2011	32,728	-	-	-	-	2,946	-	35,674	-	-
Total all named Executives	**2012**	**1,192,511**	**-**	**98,477**	**-**	**65,960**	**75,866**	**166,771**	**1,599,585**	**-**	**-**
	2011	**698,561**	**-**	**-**	**-**	**77,827**	**62,871**	**3,636**	**842,895**	**-**	**-**
Total all specified Directors	**2012**	**1,695,310**	**130,083**	**98,477**	**-**	**74,701**	**90,504**	**296,922**	**2,385,997**	**-**	-
and Executives	**2011**	**961,061**	**39,500**	**-**	**-**	**83,716**	**67,821**	**3,636**	**1,155,734**	**-**	-

(i) Appointed December 2011.
(ii) Appointed December 2011.
(iii) Appointed January 2012.
(iv) Appointed September 2008, resigned December 2011.
(v) Appointed March 2011, resigned January 2012.

13. Remuneration Report – audited (continued)

13.4 Equity instruments - audited

13.4.1 Options over equity instruments granted as compensation - audited

Details on options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period and details of options that vested during the reporting period are as follows:

	Balance 1 July 2011	Granted as Remuneration	Options Exercised	Options Forfeited	Options Expired	Balance 30 June 2012	Vested 30 June 2012	Vested and Exercisable 30 June 2012	Vested and Un-Exercisable 30 June 2012
Directors									
Mr A Dew	-	-	-	-	-	-	-	-	-
Mr D Waddell	-	-	-	-	-	-	-	-	-
Mr A Senior	116,668	300,000	-	-	-	416,668	416,668	416,668	-
Mr SH Lee	-	-	-	-	-	-	-	-	-
Mr C Procter	-	-	-	-	-	-	-	-	-
Company Executives									
Mr A Czerw	-	1,500,000	-	-	-	1,500,000	-	-	-
Mr J Latto	10,000	500,000	-	(10,000)	-	500,000	-	-	-

13.4.2 Modifications of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to key management personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

13.4.3 Exercise of options granted as compensation

During the financial year, no shares were issued on the exercise of options previously granted as compensation to key management personnel.

13.4.4 Analysis of options and rights over equity instruments granted as compensation - audited

Details of the options granted and vesting profiles of the options granted as remuneration to key management personnel of the Company are detailed below:

	Options Granted			Vesting Profile				
	Number	Date	Fair value	Exercise price $	Expiry date	% Vested in year	% Forfeited in year	Financial year in which grant vests
Mr A Dew	-	-	-	-	-	-	-	-
Mr D Waddell	-	-	-	-	-	-	-	-
Mr A Senior	300,000	22 Dec 2011	$0.434	$1.34	21 Dec 2016	100%	-	2012
Mr SH Lee	-	-	-	-	-	-	-	-
Mr C Procter	-	-	-	-	-	-	-	-
Mr A Czerw	500,000	29 Mar 2012	$0.524	$0.90	28 Mar 2017	-	-	2013
Mr A Czerw	500,000	29 Mar 2012	$0.510	$1.00	28 Mar 2017	-	-	2014
Mr A Czerw	500,000	29 Mar 2012	$0.497	$1.10	28 Mar 2017	-	-	2015
Mr J Latto	10,000	5 Oct 2007	-	-	-	-	100%	-
Mr J Latto	250,000	29 Mar 2012	$0.524	$0.90	28 Mar 2017	-	-	2013
Mr J Latto	250,000	29 Mar 2012	$0.510	$1.00	28 Mar 2017	-	-	2014

13. Remuneration Report – audited (continued)

13.4.5 Analysis of movements in options and rights

The only movement during the financial year were options granted to key management personnel. There were no options exercised and 30,000 options were forfeited due to performance criteria not being achieved or cessation of employment.

14. Non-Audit Services

During the year KPMG, the Consolidated Entity's auditor, performed certain other services in addition to their statutory duties.

The Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

a. Non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

b. Ensuring non-audit services do not involve the auditors reviewing or auditing their own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or payable to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2012 **$**	**2011** **$**
Audit services		
Auditors of the Company:		
Audit and review of financial reports	148,644	129,277
Other services (tax and accounting advice)	6,200	12,460

15. Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify both the current directors of the Company and former directors against liability incurred to a third party (not being the Company or any related company) that may arise from their positions as directors of the Company and its controlled entities, unless the liability arises out of conduct involving a lack of good faith.

The Company has also agreed to cover the costs and expenses incurred in successfully defending civil or criminal proceedings, or in connection with a successful application for relief under the Corporations Act 2001. The Company also provides indemnity against costs and expenses in connection with an application where a court grants relief to a director under the Corporations Act 2001.

Insurance Premiums

Since the end of the 2011 financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance, for the directors of the controlled entity. In accordance with subsection 300(9) of the Corporations Act 2001, further details have not been disclosed due to confidentiality provisions of the insurance contracts.

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

The lead auditor's independence declaration is set out on page 16 and forms part of the directors' report for the financial year ended 30 June 2012.

17. Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth, Western Australia this 28th day of September 2012.

Signed in accordance with a resolution of the Directors.

Mr A G Dew
Non-Executive Chairman
Perth, Western Australia
28 September 2012

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

To: the directors of Tanami Gold NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Grant Robinson
Partner

Perth

28 September 2012

Tanami Gold NL Corporate Governance Statement

The Board of Directors ('Board') of Tanami Gold NL ('Tanami' or the 'Company') is responsible for the corporate governance of the Company. The Board guides and monitors the business activities and affairs of the Company on behalf of its shareholders by whom they are elected and to whom they are accountable. To ensure that the Board is well equipped to discharge its responsibilities, the Company has adopted systems of control and accountability as the basis for the administration of corporate governance.

The Board is committed to administering its policies and procedures transparently, with integrity and following best practice principles. The Company's Corporate Governance Statement has been structured to promote compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ('Principles').

The Company's corporate governance documents are available in the Corporate Governance section of the Company's website at www.tanami.com.au.

This Corporate Governance Statement summarises the Company's compliance with the ASX Corporate Governance Council's Principles as at the date of this report.

Principle 1: Lay Solid Foundations for Management and Oversight

The Company complies with this Principle.

Recommendation 1.1: Establish the functions reserved to the Board

The Company has adopted a Statement of Matters Reserved to the Board, a copy of which is available in the Corporate Governance section of the Company's website at www.tanami.com.au. In carrying out its responsibilities the Board:

- Recognises that its primary responsibility is to develop and oversee the business activities, corporate strategy and management of the Company for the benefit of its shareholders;

- Acknowledges its responsibilities to the Company's employees, the environment and the communities in which the Company operates and where appropriate, other stakeholders; and

- Strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded.

To assist the Board in discharging its duties properly, it has established the following committees:

- Remuneration and Nomination Committee whose responsibilities include the identification of candidates considered suitable to act as Directors;

- Audit Committee whose responsibilities include reviewing the quality and integrity of financial reporting and reviewing the system of internal controls that the Company has established to safeguard its financial assets; and

- Risk Management Committee whose responsibilities include identifying areas of significant business and operational risk and overseeing the arrangements in place to properly manage those risks.

The responsibility for the operation of the Company is delegated by the Board to the Managing Director/CEO (or equivalent). The responsibility for the administration of the Company is delegated by the Board to the Company Secretary/Chief Financial Officer. The Board is responsible for appointing the Managing Director/CEO (or equivalent) and ensuring that both the Managing Director/CEO (or equivalent) and the Company Secretary/Chief Financial Officer are appropriately qualified and experienced to discharge their responsibilities.

Recommendation 1.2: Evaluation of the Performance of Senior Executives

The Managing Director/CEO (or equivalent) undertakes a formal performance review with each of the Company's senior executives on an annual basis to review their performance over the preceding 12 month period and to set an action plan with specific outcomes and targets for the following 12 months.

This process took place during the year ended 30 June 2012.

Principle 2: Structure the Board to Add Value

The Company complies with this recommendation except as indicated below.

Recommendation 2.1, 2.2 and 2.3: Composition of the Board

The Company's Board comprises the following Directors:

Director	Position	Classification
Mr AG Dew	Non-Executive Chairman	Not Independent
Mr DP Waddell	Deputy Chairman/Executive Director	Not Independent
Mr SH Lee	Non-Executive Director	Not Independent
Mr AA Senior	Non-Executive Director	Independent
Mr CC Procter	Non-Executive Director	Independent

Mr Procter is an Independent Non-Executive Director of Sun Hung Kai & Co Limited and Allied Overseas Limited both of which are subsidiaries of Allied Group Limited of which another subsidiary (Allied Properties Resources Limited) is the major shareholder of the Company.

Mr Procter has confirmed to the Board that he is able to act independently and on the basis of that assurance and the fact that his aforesaid directorships are only as an Independent Non-Executive Director of other Allied Group Limited subsidiaries, the Board considered Mr Procter to be independent at the time of his appointment and the announcement of same and continues to consider him independent.

The Company's Board composition does not comply with Recommendation 2.1 or 2.2 of Principle 2 as the majority of the Company's Board are not independent and the Chairman of the Board is not independent. However, the Board considers that the Company's Directors are appropriately qualified and have the skills and experience necessary to properly execute their duties. The skills and experience of each of the Company's Directors has been documented on page 3 of this report.

In determining whether or not a Director is independent, the Company makes reference to the independence indicators contained within Box 2.1 of Principle 2. The membership of the Board and its composition is subject to periodic review.

In accordance with the Company's Constitution, the tenure of a Director (other than the Managing Director/CEO (or equivalent) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment.

Subject to the requirements of the Corporations Act 2001, and the ASX Listing Rules, the Board does not subscribe to the principle of a set retirement age, and there is no maximum period of service as a Director.

The Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

A procedure exists to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense. Independent professional advice may be sought by a Director generally; however the Managing Director/CEO (or equivalent) must be notified before advice is sought. The advice must only be sought in relation to the discharge of the Director's responsibilities to the Company. The Company will reimburse reasonable expenses where the above principles have been followed.

Recommendation 2.4: Nomination Committee

The Board has established a Nomination Committee (referred to as the Remuneration and Nomination Committee) which is responsible for, amongst other things, identifying individuals with the requisite skill set, experience and professional expertise from which the Company could benefit.

At the date of this report, the members of the Remuneration and Nomination Committee are Mr AA Senior (Chairman), Mr AG Dew and Mr DP Waddell. The composition of the Remuneration and Nomination Committee does not comply with Recommendation 2.4 of Principle 2 as it does not comprise of a majority of independent Directors.

The Board considers that the current composition of the Remuneration and Nomination Committee is appropriate given the size of the entity and the skills and experience of the committee members. Details of the relevant qualifications and experience of Mr AA Senior, Mr AG Dew and Mr DP Waddell are set out in page 3 of this report.

The Remuneration and Nomination Committee has a formal charter, a copy of which can be found in the Corporate Governance section of the Company's website at www.tanami.com.au.

Recommendation 2.5: Evaluation of the Performance of the Board

The Chairman meets with each Director to assess and review their performance on an annual basis. In the event a Director's performance is unsatisfactory he or she will be asked to retire. Due to the change in the composition of the Board that occurred in December 2011, this review did not take place for the year ending 30 June 2012; however it will occur on an annual basis going forwards.

Principle 3: Promote Ethical and Responsible Decision Making

The Company complies with this recommendation except for the Diversity recommendations as indicated below.

Recommendation 3.1: Code of Conduct

The Board actively promotes ethical and responsible decision making and has established a:

- Code Of Conduct for the Company;
- Directors and Executives Code of Conduct;
- Policy for Reporting and Investigating Unethical Practices; and
- Whistle-blowers' Policy.

The Board maintains high standards of ethical and responsible decision making, recognising the legitimate interests of the Company's shareholders, employees, the environment and the communities in which the Company operates and the responsibilities it has to regulatory authorities.

Recommendation 3.2, 3.3, and 3.4: Diversity

The Company is fully supportive of workplace diversity and is currently working towards the introduction of a formal diversity policy. As it does not yet have a formal diversity policy in place, the Company does not comply with Recommendation 3.2 of Principle 3. Despite this, the Company always actively seeks the best candidate for its available positions regardless of gender, race, age, or cultural heritage.

The Company employs the following number of women in the following categories within its workforce:

Category	Number	Percentage
Women employees in the Company	26	13%
Women in senior executive positions in the Company	1	25%
Women on the Board of the Company	-	0%

Principle 4: Safeguard Integrity in Financial Reporting

The Company complies with this recommendation except as indicated below.

Recommendation 4.1, 4.2 and 4.3: Audit Committee

The Board has established an Audit Committee comprising Mr CC Procter (Chairman), Mr AG Dew, Mr DP Waddell and Mr AA Senior. The structure of the Company's Audit Committee means that it does not comply with Recommendation 4.2 of Principle 4 which recommends that the Audit Committee comprise only Non-Executive Directors, the majority of whom should be independent.

The Board considers that the current composition of the Audit Committee is appropriate given the size of the entity and the skills and experience of the committee members. Details of the relevant qualifications and experience of each of the members of the Audit Committee are set out in page 3 of this report.

The Audit Committee has a formal charter that is available in the Corporate Governance section of the Company's website at www.tanami.com.au.

The Audit Committee is responsible for making a recommendation regarding the appointment of the external auditor to the Board (for subsequent approval by shareholders).The performance of the external auditor is assessed annually. Rotation of the external audit engagement partner is undertaken in line with the requirements of the Corporations Act 2001 and is managed by the external auditor.

Principle 5 Make Timely and Balanced Disclosure

The Company complies with this recommendation.

The Board has nominated its Company Secretary to be the person responsible for:

- Ensuring the Company's compliance with the ASX Listing Rules; and
- Overseeing and coordinating disclosure of information to the ASX, as well as communicating with the ASX.

In accordance with the ASX Listing Rules, the Company Secretary will ensure that the Company notifies the ASX immediately with regards to:

- All information concerning the Company that could reasonably be expected to have a material effect on the price or value of the Company's securities; and

- All information that would, or would be likely to, influence people who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Recommendation 5.1 Disclosure

The Board has a Disclosure Policy and the purpose of this policy is to ensure that the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

The Company is committed to ensuring that all announcements are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.

The Board has introduced a Securities Trading Policy that deals with the sale and purchase of securities in the Company by its Key Management Personnel. Key Management Personnel for the purposes of this policy have been defined as Directors and those employees that report directly to the Company's Managing Director/CEO (or equivalent).

The Company's Securities Trading Policy is primarily designed to prevent any contravention of the insider trading provisions of the Corporations Act by the Company's Key Management Personnel.

The Company's Key Management Personnel are required to seek authorisation from the Chairman (in the case of Directors), or another Non-Executive Director (in the case of the Chairman) or the Managing Director/CEO (or equivalent) or Company Secretary (in the case of employees) prior to undertaking any transaction in the Company's securities.

As required by the ASX Listing Rules, the Company will notify the ASX of all transactions in securities of the Company conducted by a Director of the Company. Each Director of the Company has signed an agreement to provide information to the Company regarding any change in their shareholding in the Company as soon as possible after the date of change and in any event, no later than three business days after the date of the change.

The Company's Disclosure Policy and the Company's Securities Trading Policy can be found in the Corporate Governance section of the Company's website at www.tanami.com.au.

Principle 6: Respect the Rights of Shareholders

The Company complies with this recommendation.

The Company is committed (subject to commercial and confidentiality constraints) to maintaining direct, open and timely communications with all shareholders and prospective shareholders.

At a minimum, shareholders and prospective shareholders have access via the Company's website to the following information:

- ASX Announcements;
- Annual Financial Report;
- Annual Report;
- Notice of Meeting for the Annual General Meeting (AGM) and all accompanying papers;
- Report of the Chairman as disclosed at the AGM (ordinarily the same day as the AGM);
- Interim/half yearly Report; and
- Quarterly Reports.

The Company has a Shareholder Communication Policy a copy of which is available in the Corporate Governance section of the Company's website at www.tanami.com.au.

Principle 7: Recognise and Manage Risk

The Company complies with this recommendation.

The Board has established a Risk Management Committee to assist the Board to effectively and properly review, amongst other things, the adequacy of the Company's policies in relation to risk management, compliance and internal control.

It is the Risk Management Committee's role to oversee the identification of strategic, operational and legal risks and the effective assessment, management and monitoring of these risks to enable the Company's objectives to be achieved.

The appointment of the Risk Management Committee, together with the Audit Committee ensures the existence of an effective internal control framework within the Company.

The Risk Management Committee Charter is available in the governance section of the Company's website at www.tanami.com.au.

Principle 8: Remunerate Fairly and Responsibly

The Company complies with this recommendation except as documented below.

Recommendation 8.1: Remuneration and Nomination Committee

The Board established a Remuneration and Nomination Committee on 1 July 2005. The Remuneration and Nomination Committee was established to determine appropriate levels of remuneration for Executive and Non-Executive Directors, to review the various skills and experience on the Board, identify specific individuals for nomination as directors and overseeing Board and executive succession planning.

The Remuneration and Nomination Committee Charter is available in the governance section of the Company's website at www.tanami.com.au.

Recommendation 8.2: Composition of the Remuneration and Nomination Committee

The Company's Remuneration and Nomination Committee comprises Mr AA Senior (Chairman), Mr AG Dew and Mr DP Waddell. This composition does not comply with Principle 8.2 as the majority of the Company's Remuneration and Nomination Committee are not independent. However, the members of the Remuneration and Nomination Committee are appropriately qualified and have the skills and experience necessary to properly execute their duties. The skills and experience of Mr AA Senior, Mr AG Dew and Mr DP Waddell are documented on page 3 of this report.

Recommendation 8.3: Distinction between Non-Executive Directors' Remuneration and Remuneration of Executive Directors and Senior Executives

Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Non-Executive Directors' interests with shareholder interests, Non-Executive Directors are encouraged to hold shares in the Company that have been purchased on-market (subject to the provisions of the Tanami Gold NL Securities Trading Policy).

Generally, Non-Executive Directors should not:

- Receive options or cash bonuses from the Company. However, the Board has the discretion to determine (where shareholder approval is obtained) that Non-Executive Directors be granted incentive shares and/or options; and

- Be provided with retirement benefits other than superannuation.

Compensation levels for senior executives of the Company are competitively set to attract and retain appropriately qualified and experienced executives.

Compensation levels are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and to achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation and equity-based compensation as well as employer contributions to superannuation funds.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $'000	2011 $'000
Revenue from operating activities	3	65,343	57,781
Mine costs (including depreciation and amortisation)	4	(74,503)	(55,879)
Other income	3	14,497	97
Exploration and evaluation expenses	14	(69)	(5)
Corporate and other expenses		(6,885)	(4,770)
Results from operating activities		(1,617)	(2,776)
Financial income	6	3,623	5,988
Financial expenses	6	(8,463)	(2,261)
Net finance (expense)/income		(4,840)	3,727
Share of loss of equity accounted investees (net of income tax)		(331)	(325)
Gain on dilution of shareholding in equity accounted investees (net of income tax)		2,484	346
(Loss)/profit before income tax		(4,304)	972
Income tax expense	7	-	-
(Loss)/profit from operations		(4,304)	972
(Loss)/profit for the year		(4,304)	972
Other comprehensive (loss)/income			
Share of other comprehensive income of equity accounted investees	15	(22)	99
Other comprehensive (loss)/income for the year (net of income tax)		(22)	99
Total comprehensive (loss)/income for the year attributable to owners of the Company		(4,326)	1,071
Earnings per share			
Basic (loss)/earnings per share	28	(0.016)	0.004
Diluted (loss)/earnings per share	28	(0.016)	0.004

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2012

Assets	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	9	2,815	6,749
Other receivables	10	1,814	2,852
Available for sale financial assets	11	6,084	-
Inventories	12	8,713	11,186
Total current assets		19,426	20,787
Non-current assets			
Other receivables	10	5,396	5,972
Property, plant and equipment	13	30,275	32,522
Exploration and evaluation	14	72,318	49,482
Investment in associates	15	-	10,040
Derivatives	16	-	7,800
Total non-current assets		107,989	105,816
Total assets		127,415	126,603
Liabilities			
Current liabilities			
Interest-bearing liabilities	17	599	22,900
Trade and other payables	18	12,987	14,693
Provisions	19	1,408	1,165
Total current liabilities		14,994	38,758
Non-current liabilities			
Interest-bearing liabilities	17	28,421	100
Provisions	19	5,192	4,688
Total non-current liabilities		33,613	4,788
Total liabilities		48,607	43,546
Net assets		**78,808**	**83,057**
Equity			
Issued capital	20	244,189	244,794
Accumulated losses	21	(166,540)	(162,214)
Reserves		1,159	477
Total equity attributable to equity holders of the Company		**78,808**	**83,057**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total
	$'000	$'000	$'000	$'000
Consolidated				
Balance at 1 July 2010	183,469	(163,765)	877	20,581
Total comprehensive income for the year				-
Profit for the year	-	972	-	972
Other comprehensive income	-	99	-	99
Total comprehensive income for the year	-	1,071	-	1,071
Transactions with owners, recorded direct to equity				
Contributions by and distributions to owners				
Share based payments transactions	-	-	80	80
Transfer of reserve upon exercise of options	-	480	(480)	-
Total contributions by and distributions to owners	-	480	(400)	80
Shares issued during the year, net of issue costs	61,325	-	-	61,325
Total transaction with owners	61,325	480	(400)	61,405
Balance at 30 June 2011	244,794	(162,214)	477	83,057
Consolidated				
Balance at 1 July 2011	244,794	(162,214)	477	83,057
Total comprehensive loss for the year				-
Loss for the year	-	(4,304)	-	(4,304)
Other comprehensive loss	-	(22)	-	(22)
Total comprehensive loss for the year	-	(4,326)	-	(4,326)
Transactions with owners, recorded direct to equity				
Contributions by and distributions to owners				
Share based payments transactions	-	-	682	682
Limited recourse loans (i)	(605)	-	-	(605)
Total contributions by and distributions to owners	(605)	-	682	77
Balance at 30 June 2012	244,189	(166,540)	1,159	78,808

(i) Refer note 10

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Cash receipts from customers		66,610	57,878
Cash payments in the course of operations		(58,004)	(46,129)
Cash payments for withholding tax		(168)	(255)
Interest received		334	620
Interest paid		(1,672)	(2,994)
Net cash provided by operating activities	29(b)	7,100	9,119
Cash flows from investing activities			
Payments for property, plant and equipment		(4,898)	(7,630)
Proceeds from sale of financial assets		32,395	-
Proceeds from exploration security deposit refunds		-	5,224
Payments for exploration security deposits		(28)	-
Payments for the purchases of equity investments		(4,500)	(2,319)
Payments for exploration and evaluation		(20,832)	(19,870)
Payments for development expenditure		(16,880)	(15,260)
Net cash used in investing activities		(14,743)	(39,855)
Cash flows from financing activities			
Net proceeds from issue of shares and options		-	60,720
Net proceeds from borrowings		26,688	23,306
Repayment of borrowings		(22,662)	(53,099)
Repayment of finance lease liabilities		(317)	(171)
Net cash provided from financing activities		3,709	30,756
Net (decrease)/increase in cash and cash equivalents held		(3,934)	20
Cash and cash equivalents at beginning of the financial year		6,749	6,729
Cash and cash equivalents at the end of the financial year	29(a)	2,815	6,749

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

1. Significant Accounting Policies

(a) Reporting Entity

Tanami Gold NL ("the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 4, 50 Colin Street, West Perth, Western Australia 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in associates. The Consolidated Entity is a for profit entity and is primarily involved in gold mining operations and mineral exploration.

(b) Basis of Preparation

Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 28 September 2012.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:
- Derivative financial instruments are measured at fair value; and
- Available for sale financial assets are measured at fair value.

Going Concern Basis of Preparation

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has generated a total comprehensive loss for the year ended 30 June 2012 of $4,326,014 (2011: Profit $1,070,896).
At 30 June 2012, it had a net working capital surplus of $4,432,046 (2011: Deficit $17,969,940).

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 HK$280.7 million (approximately $35.52 million as at 30 June 2012). The facility has a repayment date of 30 June 2014.

As at 30 June 2012, the Company had drawn down a total of HK$216.7 million (approximately $27.42 million) under its loan facilities; leaving approximately $8.10 million available for the Company to draw down, which has subsequently been fully drawn down (refer note 30). These funds have been used to assist with funding:

- Intensive exploration programs at both the Coyote Gold Project and the Central Tanami Project which have resulted in significant increases in the Company's Resources;
- The Definitive Feasibility Study for the development of the Central Tanami Project;
- Ongoing care and maintenance costs at the Central Tanami Project;
- The progressive refurbishment of the Company's mining equipment, support equipment and camp infrastructure;
- Other capital upgrades such as increases to the Tailings Storage Facility at the Coyote Gold Project; and
- Provision of additional working capital.

Subject to the completion of the Definitive Feasibility Study referred to above, the Directors will further progress the various funding options currently being considered (including debt and/or equity) to fund the development of the Central Tanami Project.

In the event that the Coyote operations fail to achieve anticipated production and cash flow outcomes, the Company may be required to source additional cash from debt or equity markets or from the sale of other non-core assets. 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 and cash flow forecasts from the Company's Coyote operations and ongoing support from the Company's largest shareholder, the Directors consider that 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.

1. Significant Accounting Policies (continued)

(b) Basis of Preparation (continued)

Functional and Presentation Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of the Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed below.

Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Consolidated Entity's critical accounting policies and estimates and the application of these policies, estimates and judgements. The estimates and judgements that may have a significant impact on the carrying amount of assets and liabilities are discussed below:

(i) Mine rehabilitation and site restoration provision

The Consolidated Entity assesses its mine rehabilitation and site restoration provision at each balance date in accordance with accounting policy note 1(j). Significant judgement is required in determining the provision for mine rehabilitation and site restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate and restore the mine sites and related assets. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the site restoration provision and asset in the period in which they change or become known.

(ii) Units of production method of amortisation

The Consolidated Entity amortises mine properties in production on a units of production basis over economically recoverable reserves and resources. These calculations require the use of estimates and assumptions. Significant judgement is required in assessing the available reserves and resources under this method. Factors that must be considered in determining reserves and resources are the complexity of metallurgy, product prices, foreign exchange rates, cost structures and future developments. When these factors change or become known in the future, such differences will impact amortisation expense and the carrying value of mine property assets.

(iii) Determination of ore reserves and mineral resource

The Consolidated Entity estimates its ore reserves and mineral resources based on information compiled by competent persons in accordance with the Australian Code for Reporting of Mineral Resources and Ore Reserves December 2004 (the JORC code). Reserves and where applicable resources determined in this way are used in the calculation of amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of restoration costs.

When a change in estimated recoverable gold ounces contained in proved and probable ore reserves, and where applicable, resources, is made, amortisation and depreciation is accounted for prospectively.

(iv) Impairment

In accordance with accounting policy note 1(i), the Consolidated Entity, in determining whether the recoverable amount of its cash generating unit is the higher of fair value less costs to sell or value-in-use against which asset impairment is to be considered, undertakes future cash flow calculations which are based on a number of critical estimates and assumptions including, for its mine properties, forward estimates of:

- mine life, including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction with given technology;
- production levels and demand;
- metal price;
- inflation;
- cash costs of production; and
- discount rates applicable to the cash generating unit.

1. Significant Accounting Policies (continued)

(b) Basis of Preparation (continued)

(v) Impairment of exploration and evaluation of assets, investment in subsidiary and loans to subsidiary

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in its subsidiaries and loans to its subsidiaries is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Consolidated Entity undertakes at least on an annual basis, a comprehensive review of indicators of impairment of these assets. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts where there are impairment indicators.

The key areas of estimation and judgement that are considered in this review include:

- recent drilling results and reserves and resource estimates;
- environmental issues that may impact that underlying tenements;
- the estimated market value of assets at the review date;
- independent valuation of underlying assets that may be available;
- fundamental economic factors such as the gold price, exchange rates and current and anticipated operating costs in the industry; and
- the Consolidated Entity's market capitalisation compared to its net assets.

Information used in the review process is tested against externally available information as appropriate.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as explained in note 1(c).

(c) Changes in Accounting Policies

There were no changes to accounting policies in the current financial year.

(d) Removal of Parent Entity Financial Statements

The Consolidated Entity has applied amendments to the Corporations Act (2001) that remove the requirement for the Consolidated Entity to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosure in note 32.

(e) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a Company so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Consolidated Entity.

(ii) Investments in associates (equity accounted investee)

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Consolidated Entity's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements includes the Consolidated Entity's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Consolidated Entity's, from the date that significant influence commences until the date that significant influence ceases. When the Consolidated Entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Consolidated Entity's has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Consolidated Entity's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Consolidated Entity's interest in such entities is disposed of.

1. Significant Accounting Policies (continued)

(e) Basis of Consolidation (continued)

(iv) Jointly controlled operations and assets

The interest of the Consolidated Entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(v) Loss of control

Upon the loss of control, the Consolidated Entity derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Consolidated Entity retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Gain/loss on dilution

Any gain/(loss) on dilution of stake in an associate, whilst retaining significant influence, is recognised in the profit or loss at the date of dilution.

(f) Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line, reducing balance or production output basis, as considered appropriate, commencing from the time the asset is held ready for use.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated depreciation rates for the current and comparative periods are as follows:

Major depreciation periods are:	**2012**	**2011**
Buildings	2.5%	2.5%
Plant and equipment	15–33%	15–33%
Motor vehicles	13-33%	13-25%
Furniture and fittings	7.5-40%	7.5-40%
Mine development costs	Units of production	Units of production
Rehabilitation asset	Over life of mine	Over life of mine

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(i) Useful lives

Mine development costs are depreciated or amortised over the lower of their estimated useful lives and the estimated remaining life of the mine. The estimated remaining life of the mine is based upon geological resources. Assets not linked to the mining operation are depreciated over their estimated useful lives.

(ii) Amortisation

Amortisation is charged to the income statement, except to the extent that it is included in the carrying amount of another asset as an allocation of production overheads.

Mine development costs are amortised on a units of production basis over economically recoverable resources. The rehabilitation asset is amortised on a straight line basis over the life of the mine.

Amortisation is not charged on costs carried forward in respect of interest in the development phase until commercial production commences.

Mining properties in production (including exploration, evaluation and development expenditure) are accumulated and brought to account at cost less accumulated amortisation in respect of each identifiable area of interest. Amortisation of capitalised costs is provided on the production output basis, proportional to the depletion of the mineral resource of each area of interest expected to be ultimately economically recoverable.

1. Significant Accounting Policies (continued)

(g) Exploration and Evaluation

In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, exploration costs are accumulated in respect of each separate area of interest.

Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in profit or loss as incurred.

Exploration costs are carried forward at cost where the rights of tenure are current and either:

(i) Such costs are expected to be recouped through successful development and exploration of the area of interest, or alternatively by its sale; or

(ii) Exploration activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed annually for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable value. Where impairment indicators exist, recoverable amounts of these assets will be estimated based on discounted cash flows from their associated cash generating units. Expenses arising from the excess of the carrying values of exploration and evaluation assets over the recoverable amounts of the assets are recognised in profit or loss.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mine development costs within property, plant and equipment.

(h) Acquisition of Assets

Assets acquired are recognised at cost. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the original performance of the asset will flow to the Company in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(i) Impairment

The carrying amounts of the Consolidated Entity's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. Significant Accounting Policies (continued)

(j) Provision

A provision is recognised if, as a result of a past event, the Consolidated Entity has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision is made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation, employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset included in property, plant and equipment.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates and timing or amount of costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as finance costs in profit or loss as it occurs.

If the change in liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in profit or loss in the period in which it occurs.

(k) Expenses

(i) Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

(ii) Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method, finance establishment costs, discount unwind on the restoration and rehabilitation provision, interest receivable on funds invested, foreign exchange gains and losses, gains and losses on sale of financial assets, and gains and losses on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(l) Inventories

Raw materials and stores, work in progress (stockpiles and gold in circuit) and finished goods (bullion) are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost includes direct material, overburden removal, mining, processing, labour related transportation cost to the point of sale, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities.

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Consolidated Entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

1. Significant Accounting Policies (continued)

(m) Investments (continued)

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to ASX quoted market bid prices at the close of business on the balance sheet date.

For investments where there is not a quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(n) Other Receivables

Other receivables are initially recorded at the amount of proceeds due and are subsequently measured at amortised cost.

(o) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(p) Available for Sale Financial Assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note i) are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Available for sale financial assets comprise equity securities.

(q) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discounts or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(r) Employee Benefits

Short-term benefits
Liabilities for employee benefits for wages, salaries and annual leave and the current portion of long service leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid.

Other long-term benefits
The Consolidated Entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. Provision for annual leave and the current portion of long service leave together with the associated employment on-costs are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled. The non-current portions of long service leave and its associated employment on-costs are measured at the present value of estimated future cash flows.

1. Significant Accounting Policies (continued)

(r) Employee Benefits (continued)

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Contributions to defined contribution superannuation plans are expensed as incurred.

(s) Share Based Payment Transactions

The Company's Option and Performance Rights Plan and Employee Share Plan allows specified employees to acquire shares of the Company subject to any attached conditions being met. The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the number of share options that are expected to vest, except for those that fail to vest due to market conditions not being met.

(t) Leases

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Consolidated Entity determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of the specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Consolidated Entity the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Consolidated Entity separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Consolidated Entity concludes for a finance lease that it is impracticable to separate the payment reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Consolidated Entity's incremental borrowing rate.

(u) Revenue

Goods sold
Revenue from the sale of gold is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be measured reliably which is generally on receipt of funds from gold sales, and there is no continuing management involvement with the goods.

(v) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Consolidated Entity takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Consolidated Entity believes its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Consolidated Entity to change

1. Significant Accounting Policies (continued)

(v) Income Tax (continued)

its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Tax Consolidation
The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tanami Gold NL.

(w) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(x) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

(y) Trade and Other Payables

Trade and other payables are stated at their amortised cost.

(z) Earnings Per Share

The Consolidated Entity presents basic earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(aa) Segment Reporting

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses. The Consolidated Entity operates in Western Australia and the Northern Territory, in the gold mining and exploration industries. All operating segments' operating results are regularly reviewed by the Consolidated Entity's Managing Director/CEO (or equivalent) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director/CEO (or equivalent) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total costs incurred during the period to acquire property, plant and equipment.

(ab) Financial Instruments

Derivative financial instruments
Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

1. Significant Accounting Policies (continued)

(ac) Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(ad) New Accounting Standards and Interpretations

The following amended Australian Accounting Standards and Interpretations relevant to the operations of the Consolidated Entity and effective 1 July 2011 have been adopted from 1 July 2011.

- AASB 124 (Revised) Related Party Disclosures (December 2009), effective 1 January 2011;
- AASB 2009-12 Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052], effective 1 January 2011;
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13], effective 1 January 2011;
- AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042], effective 1 January 2011;
- AASB 1054 Australian Additional Disclosures, effective 1 July 2011;
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7], effective 1 July 2011;
- AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters [AASB 1], effective 1 July 2011.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ae) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2012. These are outlined in the table below. The impact of these standards has not been determined on the financial statements.

Reference	Title	Summary	Application date of Standard	Application date for Group
AASB 2011-9	Further Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	1 July 2013

1. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of Standard	Application date for Group
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013

1. Significant Accounting Policies (continued)

Reference	Title	Summary	Application date of Standard	Application date for Group
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans are recognized in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013

2. Determination of fair values

a) The fair value of derivative financial assets is based on a Black Scholes option pricing model valuation as at the reporting date. Refer to note 16 for details of assumptions used.

b) The fair value of investments in quoted equity securities is determined by reference to their quoted closing bid price at the reporting date.

3. REVENUE & OTHER INCOME

	Consolidated 2012 $'000	Consolidated 2011 $'000
From operating activities		
Gold sales	65,343	57,781
	65,343	57,781
Other income (i)	14,497	97
	79,840	57,878

(i) Other income includes the $13.23 million gain on the sale of 508,014,212 shares in ABM Resources NL an equity accounted investee (refer note 15).

4. MINE COSTS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Mine costs (i)	74,503	55,879
which includes:		
Mining	35,601	19,501
Processing	12,022	12,763
Site administration	5,161	4,053
Depreciation - plant and equipment	3,521	4,937
Amortisation - mine development	18,198	14,625
	74,503	55,879

(i) Mine costs relate to the development and production of the Coyote Gold Project, the mining of the Bald Hill Open Pits and include an $8.39 million write down of low grade ore stockpiles (refer note 12), ore processing and site administration. Mine costs include depreciation and amortisation.

4. MINE COSTS (CONTINUED)

(ii) During the year management changed its estimate of remaining resource used in its amortisation calculations from ounces to tonnes. It has been determined that the future impact of this change would not affect the total amortisation charge to be recognised over the remaining life of the mine. The impact of the change in the current period resulted in the amortisation charge being $209,518 lower than would have been incurred had the Company's estimate remained unchanged. In accordance with the Company's significant accounting policies (note 1(b)(iii)) this change was recognised prospectively.

5. PERSONNEL EXPENSES

	Consolidated	
	2012	2011
	$'000	$'000
Wages and salaries	25,518	22,153
Superannuation costs	1,643	1,504
Increase in liability for annual leave	199	271
Share based payments	682	80
Total personal expenses	28,042	24,009
Less: expenditure capitalised to exploration and evaluation assets	(2,942)	(3,056)
	25,100	20,952

6. FINANCE INCOME AND EXPENSE

Finance income:		
Interest income	316	592
Gain in fair value of financial assets at fair value through profit or loss (note 1)	3,307	3,780
Foreign exchange gain	-	1,616
Finance income	3,623	5,988
Finance expense:		
Loss on sale of financial assets	(280)	-
Interest - borrowings	(1,672)	(1,516)
Borrowing costs	(3,618)	(910)
Impairment loss on available for sale financial assets	(2,241)	-
Unwind of discount on site restoration provision	(128)	165
Foreign exchange loss	(524)	-
Finance expense	(8,463)	(2,261)
Net finance (expense) and income	(4,840)	3,727

Note 1: Denotes gain on options over ABM Resources NL shares.

7. TAXATION

	Consolidated	
	2012	2011
	$'000	$'000
Major components of income tax expense are as follows:		
Income statement		
Current income tax expense/(benefit)		
Current income tax charge	-	-
Prior year adjustment	(27)	(1,459)
Deferred income tax expense		
Relating to origination and reversal of temporary differences	(1,058)	1,775
Deferred tax assets not recognised in the current period	1,085	(316)
Income tax benefit/(expense) reported in income statement	-	-
The components of recognised deferred tax balance are as follows:		
CONSOLIDATED		
Deferred tax liabilities		
Exploration	6,336	4,335
Consumables	1,168	1,235
Accrued income	153	184
Investments	353	904
Unrealised foreign exchange gains	-	518
Deferred tax asset offset against deferred tax liability	(8,010)	(7,176)
Gross deferred income tax liabilities	-	-
Deferred tax assets		
Provisions	1,980	1,795
Accruals	48	142
Property, plant and equipment	5,982	5,239
Deferred tax asset offset against deferred tax liability	(8,010)	(7,176)
Gross deferred income tax assets	-	-
Reconciliation to income tax benefit on account loss		
(Loss)/profit before income tax	(4,304)	972
Prima facie tax payable at the statutory income tax rate	(1,291)	292
Non-deductible expenses		
Prior period adjustment	-	(2)
Share based payments	205	24
Other	1	2
Deferred tax assets not recognised	1,085	-
Tax losses recouped not previously booked	-	(316)
Income tax (benefit)/expense	-	-
Deferred tax asset (30%) not recognised arising on:		
Tax losses	42,839	42,785
Temporary differences	7,562	6,531
	50,401	49,316

8. AUDITOR'S REMUNERATION

	Consolidated 2012 $	Consolidated 2011 $
Audit services		
Amounts paid, or due and payable, to the auditor KPMG for:		
Audit and review of the financial statements	148,644	129,277
	148,644	129,277
Other services		
Employee share option advice	3,300	-
Employee share scheme advice	2,900	2,960
GST advice	-	2,000
Advice regarding share and asset sale agreement	-	7,500
Total other services	6,200	12,460

9. CASH AND CASH EQUIVALENTS

	2012	2011
Cash at bank and on hand	2,815	6,749
	2,815	6,749

The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 31.

10. OTHER RECEIVABLES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
GST receivable	719	1,717
Prepayments	328	270
Other debtors	762	847
Interest receivable	5	18
	1,814	2,852
Non-current		
Other debtors (a)	5,396	5,367
Limited recourse loans (b)	-	605
	5,396	5,972

(a) Non-current other debtors represent term deposits placed in support of environmental performance bonds lodged with the Minister for State Development (WA) $2,336,000 (2011: $2,190,000), Newmont Australia Limited $1,105,000 (2011: $1,105,000) and the Department of Resources (NT) $1,777,426 (2011: $1,777,426). In addition, $177,295 (2011: $177,679) has been held as a rental bond for the corporate office and excess funds of $574 (2011: $117,426) 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 and initially had a 24 month term which has been extended indefinitely by the Board. The loans are interest free and total $604,500.

Subject to Board discretion:

- 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; and
- 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.

The shares issued have limited recourse and accordingly the loans have been derecognised in the financial statements at 30 June 2012.

11. AVAILABLE FOR SALE ASSETS

	Consolidated	
	2012	2011
	$'000	$'000
Available for sale financial assets:		
Quoted equity shares	6,084	-

The Company has a remaining investment of 160,103,203 listed equity shares in ABM Resources NL (an equity accounted investee until 15 February 2012). Subsequent to initial recognition, these shares are measured at fair value being the published price quotation in an active market. Changes therein are recognised in other comprehensive income and presented in the unrealised gain/(loss) reserve in equity. The fair value movement in the asset during the period was a loss of $2,241,445 (2011: nil) which has been recognised as an impairment loss in the Consolidated Statement of Comprehensive Income.

12. INVENTORIES

	Consolidated	
	2012	2011
	$'000	$'000
Current		
Stockpile	2,095	5,074
Raw material and stores	3,867	3,878
Gold in circuit	1,861	2,221
Bullion	890	-
Other	-	13
	8,713	11,186

In line with accounting policy note 1(l), inventories are stated at lower of cost or net realisable value. Of the $2,095,051 shown as stockpile, $1,511,894 is carried at cost (2011: $4,272,573) and $583,157 is carried at net realisable value (2011: 801,725).

For the full year ended 30 June 2012, the Company wrote down $8.39 million of low grade ore stockpiles to a net realisable value of nil. The Company, upon reviewing cut off grades, reclassified material below 1.3g/t as mineralised waste. The cut-off grade was determined by considering gold spot price, the recoverability of the ore and treatment cost. This write down is included in mining costs in the Consolidated Statement of Comprehensive Income.

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2012 $'000	Consolidated 2011 $'000
Buildings at cost	7,958	7,958
Less: accumulated depreciation	(481)	(357)
Less: accumulated impairment	(3,134)	(3,134)
	4,343	4,467
Plant and equipment at cost	53,405	47,717
Less: accumulated depreciation	(15,226)	(11,923)
Less: accumulated impairment	(24,579)	(24,579)
	13,600	11,215
Motor vehicles at cost	1,786	1,794
Less: accumulated depreciation	(1,428)	(1,308)
	358	485
Furniture and fittings at cost	1,478	1,478
Less: accumulated depreciation	(1,109)	(934)
	369	544
Mine development costs	56,913	42,759
Less: accumulated depreciation	(47,665)	(29,530)
	9,248	13,229
Rehabilitation asset	1,002	298
Less: accumulated depreciation	(63)	-
	939	298
Capital works in progress	1,418	2,284
Total property, plant and equipment	30,275	32,522

Reconciliation

Reconciliation of carrying amounts for each class of property, plant and equipment are set out below:

	2012 $'000	2011 $'000
Buildings		
Carrying amount at beginning of financial year	4,467	4,574
Additions	-	28
Depreciation	(119)	(130)
Depreciation capitalised in exploration and evaluation asset	(5)	(5)
Carrying amount at end of financial year	4,343	4,467

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated	
	2012	2011
	$'000	$'000
Plant and equipment		
Carrying amount at beginning of financial year	11,215	8,870
Transfers/additions	6,074	6,744
Disposals	(385)	(52)
Accumulated depreciation on disposals	385	29
Depreciation	(3,082)	(4,330)
Depreciation capitalised in exploration and evaluation asset	(607)	(46)
Carrying amount at end of financial year	13,600	11,215
Motor vehicles		
Carrying amount at beginning of financial year	485	476
Transfers/additions	68	357
Disposals	(76)	(54)
Accumulated depreciation on disposals	73	46
Depreciation	(178)	(325)
Depreciation capitalised in exploration and evaluation asset	(14)	(15)
Carrying amount at end of financial year	358	485
Furniture and fittings		
Carrying amount at beginning of financial year	544	327
Additions	-	400
Disposals	(3)	-
Accumulated depreciation on disposals	1	-
Depreciation	(141)	(154)
Depreciation capitalised in exploration and evaluation asset	(32)	(29)
Carrying amount at end of financial year	369	544
Mine development costs		
Carrying amount at beginning of financial year	13,229	7,880
Additions: capitalised underground mine development costs	14,154	14,337
Additions: capitalised Bald Hill stripping costs	-	5,637
Amortisation	(18,135)	(14,625)
Carrying amount at end of financial year	9,248	13,229
Rehabilitation asset		
Carrying amount at beginning of financial year	298	298
Additions	704	-
Amortisation	(63)	-
Carrying amount at end of financial year	939	298

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Consolidated	
	2012	2011
	$'000	$'000
Capital works in progress		
Carrying amount at beginning of financial year	2,284	955
Additions	5,276	5,398
Transfers to other asset classes	(6,142)	(4,069)
Carrying amount at end of financial year	1,418	2,284
Total property plant and equipment		
Carrying amount at beginning of financial year	32,522	23,379
Additions	20,134	28,831
Disposals	(464)	(106)
Accumulated depreciation on disposals	459	75
Depreciation	(3,520)	(4,937)
Depreciation capitalised in exploration and evaluation asset	(658)	(95)
Amortisation	(18,198)	(14,625)
Carrying amount at end of financial year	30,275	32,522

14. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs carried forward in respect of areas of interest	72,318	49,482

(a) Reconciliation

Carrying amount at beginning of the year	49,483	29,202
Expenditure during the year	22,904	20,286
Expenditure written off (i)	(69)	(5)
	72,318	49,483

(i) The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas. During the year the Company wrote off expenditure totalling $69,104 (2011: $4,913).

15. INVESTMENT IN ASSOCIATES

The Consolidated Entity's shareholding in its equity accounted investee reduced from 20.4% at 1 July 2011 to 19.04% at 22 July 2011 and 17.27% at 6 February 2012. The reduction in the Consolidated Entity's shareholding was due to the placement of shares in the equity accounted investee to shareholders other than Tanami Exploration NL, the entity that owned shares and options in the equity accounted investee. A total gain of $2,483,866 was recognised in relation to this dilution.

On 15 February 2012 Tanami Exploration NL sold 508,014,212 shares in its equity accounted investee to APAC Resources Capital Limited reducing the Consolidated Entity's shareholding from 17.27% to nil prior to the exercise of the Company's 300 million options in ABM Resources NL. This transaction resulted in the loss of significant influence and the discontinuation of equity accounting for an associate from that date.

The Consolidated Entity's share of losses in its equity accounted investee for the period 1 July 2011 to 30 June 2012, whilst it continued to retain significant influence by virtue of the existence of convertible options, was $330,769 (2011: $325,353) and the Consolidated Entity did not receive dividend income from its investments in equity accounted investees.

15. INVESTMENT IN ASSOCIATES (CONTINUED)

Reconciliation of Investment in Equity Accounted Investee

	Consolidated 2012 $'000	2011 $'000
Balance at 1 July	10,040	7,601
Increase in investment due to take up of rights issue	-	2,319
Share of loss	(331)	(325)
Gain on dilution of shareholding	2,484	346
Other comprehensive income	(22)	99
Sale of investment in associate	(12,171)	-
Balance at 30 June	-	10,040

16. DERIVATIVES

	2012	2011
Non-current investments		
Options over ABM Resources NL shares	-	7,800

The value of these options were recognised initially at fair value. Subsequent to initial recognition, these options were measured at fair value and changes therein recognised immediately in profit or loss. On 16 February 2012 the Company exercised all ABM Resources NL options at 1.5 cents per option and converted them to quoted equity shares (refer note 11).

The options were valued as at 30 June 2011 using the Binomial option valuation methodology. The significant assumptions used in the valuations at that time were:

- Volatility: 110%
- Risk free rate: 4.74%
- Underlying security spot price: $0.037
- Exercise price: $0.015

17. INTEREST BEARING LIABILITIES

	Consolidated 2012 $'000	2011 $'000
Current		
Finance lease liabilities (i)	599	151
Loan (ii)	-	22,749
	599	22,900
Non-Current		
Finance lease liabilities (i)	869	100
Loan (ii)	27,552	-
	28,421	100

(i) Finance liabilities of the group are as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
In thousands of dollars	**2012**	**2012**	**2012**	**2011**	**2011**	**2011**
Less than one year	697	98	599	171	20	151
Between one and five years	924	55	869	113	13	100
	1,621	153	1,468	284	33	251

During the year, the Consolidated Entity acquired property, plant and equipment of which $1.47 million was acquired by means of finance lease. Cash payments of $317,000 were used to reduce the Company's lease liability during the year.

The finance lease liabilities are denominated in Australian dollars with interest rates from 4.89% per annum to 8.25% per annum and will mature from 2012 to 2015.

17. INTEREST BEARING LIABILITIES (CONTINUED)

(ii) Loan (unsecured)

	Effective Interest Rate	Maturity	30 June 2012	30 June 2011
			Carrying Amount $'000	Carrying Amount $'000
HKD216.7 million	(a)	30 June 2014	27,552	22,749
			27,552	**22,749**

(a) At 30 June 2012, the Company had drawn down HK$ 216.7 million of its HK$ 280.7 million unsecured loan facility with AP Finance Limited which has an interest rate of 6% per annum, a refundable facility fee of 6% per annum (where facility fees payable in advance are refunded on a prorated basis if loan repayments are made) and a non-refundable facility fee of 9% per annum. The unsecured HK$ 280.7 million loan is due for repayment on 30 June 2014.

18. TRADE AND OTHER PAYABLES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Trade creditors	5,512	8,769
Other creditors and accruals	7,475	5,923
	12,987	14,692

The Consolidated Entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

19. PROVISIONS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Employee entitlements	1,408	1,165
	1,408	1,165
Non-Current		
Employee entitlements	678	656
Site and mine restoration	4,514	4,032
	5,192	4,688
Reconciliation of site and mine restoration		
Opening Balance at 1 July	4,032	4,197
Provision made during year	705	-
Provision utilised during the year	(351)	-
Unwind of discount	128	(165)
Balance at 30 June	4,514	4,032

Annual Leave
Current employee entitlements comprise annual leave that is expected to be settled within 12 months of the reporting date and represents present obligations resulting from employees' services provided to reporting date. Current employee entitlements are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Site and mine restoration
In accordance with the Consolidated Entity's environmental policy and applicable legal requirements, a provision for site restoration and mine rehabilitation is recognised when the land is disturbed. The basis of accounting is set out in note 1(j) of the significant policies.

Long service leave
Long service leave that is due and payable is disclosed as a current employee provision.

20. ISSUED CAPITAL

	Consolidated	
	2012	2011
	$'000	$'000
Share capital		
261,132,677 (2011: 260,997,677) ordinary shares, fully paid	244,189	244,794
	244,189	244,794
Movements in issued capital		
Balance at 1 July	244,794	183,469
Shares issued		
135,000 shares (2011: 143,051,342)	-	64,328
Transaction costs arising from issue of shares	-	(3,003)
Limited recourse loans (i)	(605)	-
Balance at 30 June	244,189	244,794

(i) The shares issued have limited recourse and accordingly the loans have been derecognised in the financial statements at 30 June 2012.

On 17 August 2010, the Company completed a 6:5 fully underwritten, pro-rata renounceable entitlements issue which resulted in 143,051,342 shares being issued.

On 20 August 2010, the Company obtained approval at a general meeting of shareholders for a 1 for 30 consolidation of its issued capital. The ordinary shares shown in the preceding table are on a post consolidation basis and therefore incorporate the 1-for-30 capital consolidation.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

The 135,000 shares issued during the year ended 30 June 2012 were issued to qualifying employees under the Company's Employee Share Plan. Shares to the value of $1,000 each were issued to 100 qualifying employees. This has been recognised as a share based payments expense.

21. ACCUMULATED LOSSES

	Consolidated	
	2012	2011
	$'000	$'000
Accumulated losses at July	(162,214)	(163,765)
Net (loss)/profit for the year	(4,326)	1,071
Transfer of reserve upon exercise of options	-	480
Accumulated losses at June	(166,540)	(162,214)

22. CONTINGENT LIABILITIES

Claims of Native Title

On 20 April 2005 the Company entered into the Tjurabalan Native Title Coyote Gold Project Agreement which enabled the Coyote Gold Project to be developed. Central to the Agreement is a commitment to employment, training and business development opportunities for the Tjurabalan People. Importantly, the Tjurabalan People's interests and benefits payable by the Company are aligned with gold production levels achieved by the Company from the Project.

The Company has entered into several Deeds for Exploration with different traditional owner groups and the Central Land Council in relation to tenements held in the Northern Territory. Such agreements provide for exploration to be undertaken on Aboriginal Land Trust areas subject to certain conditions being met including approved clearance surveys over areas to be explored.

One of the Company's tenements in the Northern Territory is subject to the procedures of the Native Title Act 1993.

23. COMMITMENTS

a) Exploration Expenditure

The Consolidated Entity has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Consolidated Entity's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at balance date, total exploration expenditure commitments of the Consolidated Entity which have not been provided for in the financial statements are outlined below. The Consolidated Entity's tenement commitment can be reduced by obtaining expenditure exemptions and/or relinquishment of tenements.

23. COMMITMENTS (CONTINUED)

Exploration Expenditure Commitments

	Consolidated	
	2012 $'000	2011 $'000
Within one year	2,468	2,374

b) Operating lease

The Consolidated Entity leases the corporate office under an operating lease. The lease runs for 3 years commencing on 1 February 2010 and expiring on 31 January 2013. Lease payments are adjusted annually to reflect market rentals. During the year ended 30 June 2012 $348,664 (2011: $355,477) was recognised as an expense in the income statement in respect to the operating lease.

Operating Lease Commitments

	Consolidated	
	2012 $'000	2011 $'000
Within one year	192	329
Between one and five years	-	192
	192	521

24. SHARE BASED PAYMENTS

Options

During the year the following options were issued:

Exercise Price ($)	Number of Options	Grant Date	Expiry Date
$1.34	300,000	22 December 2011	22 December 2016
$0.90	2,212,500	29 Mar 2012	28 March 2017
$1.00	2,212,500	29 Mar 2012	28 March 2017
$1.10	500,000	29 Mar 2012	28 March 2017

During the year, no options were lapsed unexercised.

During the year the following options were forfeited:

Exercise Price ($)	Number of Options	Grant Date	Expiry Date
$4.50	30,000	30 April 2007	31 March 2012

During the year, no options were exercised.

At 30 June 2012 there were 5,341,667 unissued ordinary shares in respect of which unquoted options were outstanding as follows:

Expiry Date	Type	Exercise Price	2012 Number	2011 Number
31 March 2012	Unquoted	$4.50	-	30,000
22 November 2012	Unquoted	$6.00	58,334	58,334
22 November 2012	Unquoted	$4.50	58,334	58,334
22 December 2016	Unquoted	$1.34	300,000	-
28 March 2017	Unquoted Tranche 1	$0.90	2,212,500	-
28 March 2017	Unquoted Tranche 2	$1.00	2,212,500	-
28 March 2017	Unquoted Tranche 3	$1.10	500,000	-
			5,341,668	146,668

On 22 December 2011 300,000 options were granted to Mr Alan Senior, a Director of the Company. Material terms and conditions are:

- The option term is 5 years from the date of grant; and
- The exercise price of the options ($1.34) is 40% above the five day volume weighted average price of shares on the ASX immediately prior to the date of the Annual General Meeting held on 29 November 2011. These options have been valued using a Black Scholes option valuation model. As these options vested immediately the fair value of $130,150 has been recognised as an expense in profit or loss.

The significant assumptions used in the valuation at that time were:

- Volatility: 90%
- Risk free rate: 4.25%

24. SHARE BASED PAYMENTS (CONTINUED)

- Underlying security spot price: $0.705
- Exercise price: $1.34
- Valuation per option: $0.434

The options granted on 29 March 2012 were valued using the Black Scholes option valuation methodology. The significant assumptions used in the valuations at that time were:

- Volatility: 85%;
- Risk free rate: 2.66%;
- Underlying security spot price: $0.795;
- Exercise price: $0.90, $1.00 and $1.10 for Tranche 1, Tranche 2 and Tranche 3 respectively;
- Valuation per option: $0.524, $0.510 and $0.497; and
- Valuation per Tranche: $1,159,350, $1,128,375 and $248,500.

The grant date fair value of the options was $2,536,225 of which $452,592 was recognised as an expense for the year ended 30 June 2012. The remaining value of the options will continue to be expensed over the vesting period attributable to each Tranche.

(i) Employee share option plan

The Tanami Gold NL Option and Performance Rights Plan was approved by shareholders at a general meeting of the Company on 27 November 2009.

On 29 March 2012 (and in consideration of the continued services of specified employees), the Company granted options to subscribe for one ordinary fully paid share in the capital of the Company per option with the following conditions:

- 2,212,500 options were issued to employees with an exercise price of $0.90 per option. These options do not vest until 12 months from the date of grant;
- 2,212,500 options were issued to employees with an exercise price of $1.00 per option. These options do not vest until 24 months from the date of grant; and
- 500,000 options were issued to employees with an exercise price of $1.10 per option. These options do not vest until 36 months from the date of grant.

Summary of option movements for the financial year:

Number of options at 30 June 2012

Grant Date	Exercise Date on or after	Expiry Date	Exercise Price	Number of options at beginning of year	Options Granted	Options Expired/ Forfeited	Options Exercised	On Issue	Vested
23 Nov 2007	23 Nov 2008	22 Nov 2012	$4.50	58,334	-	-	-	58,334	58,334
23 Nov 2007	23 Nov 2009	22 Nov 2012	$6.00	58,334	-	-	-	58,334	58,334
30 Apr 2007	31 Mar 2009	31 Mar 2012	$4.50	30,000	-	(30,000)	-	-	-
22 Dec 2011	22 Dec 2011	21 Dec 2016	$1.34	-	300,000	-	-	300,000	300,000
29 Mar 2012	29 Mar 2013	28 Mar 2017	$0.90	-	2,212,500	-	-	2,212,500	-
29 Mar 2012	29 Mar 2014	28 Mar 2017	$1.00	-	2,212,500	-	-	2,212,500	-
29 Mar 2012	29 Mar 2015	28 Mar 2017	$1.10	-	500,000	-	-	500,000	-

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Key Management Personnel

(i) Specified Directors

Arthur Dew (Non-Executive Chairman)	(appointed December 2011)
Denis Waddell (Deputy Chairman/Executive Director)	(appointed July 1995)
Graeme Sloan (Managing Director/CEO)	(appointed September 2008, resigned December 2011)
Alan Senior (Non-Executive Director)	(appointed July 2007)
Seng Hui Lee (Non-Executive Director)	(appointed March 2008)
Carlisle Procter (Non-Executive Director)	(appointed December 2011)

(ii) Specified Executives

Andrew Czerw (General Manager)	(appointed January 2012)
Jon Latto (Company Secretary/Chief Financial Officer)	(appointed November 2007)
Rob Walker (General Manager Operations)	(appointed October 2008, ceased to be key management personnel in 2011)
Don Harper (Chief Operating Officer)	(appointed March 2011, resigned January 2012)

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

b) Remuneration of Key Management Personnel

The key management personnel compensation included in 'personnel expenses' (see note 5) is as follows:	Consolidated 2012 $	2011 $
In AUD		
Short-term employee benefits	1,998,571	1,606,499
Post-employment benefits	90,504	112,587
Share-based payments	296,922	43,631
Total	2,385,997	1,762,717

(i) Individual directors and executives compensation disclosures

Information regarding individual director's and executive's compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report.

From July 2011 to November 2011, Mr Waddell provided consulting services on corporate and operational matters to Tanami Gold NL. These services were provided on arms-length, commercial terms as and when required by the Consolidated Entity. From December 2011 to June 2012, Mr Waddell provided full time executive support to the Company. The combined cost of these services from 1 July 2011 to 30 June 2012 was $404,000 (2011: $162,000).

Shareholdings of Directors and Key Management Personnel

2012

Ordinary Fully Paid Shares	Balance 1 July 2011	Granted as Remuneration	Entitlements Issue	On Market Purchases/ (Sales)	Balance 30 June 2012
Directors					
Mr A Dew	-	-	-	-	-
Mr D Waddell	5,672,134	-	-	100,000	5,772,134
Mr A Senior	66,705	-	-	-	66,705
Mr SH Lee*	70,697,899	-	-	(9,319,111)	61,378,788
Mr C Procter	-	-	-	-	-
Other Key Management Personnel					
Mr A Czerw	-	-	-	-	-
Mr J Latto	73,334	-	-	-	73,334
Mr R Walker**	734,732			(130,646)	604,086
Total	77,244,804	-	-	(9,349,757)	67,895,047

* The shares that were sold were held by Eurogold Limited which is 36.37% indirectly owned by Allied Properties (H.K) Limited, which is an intermediate holding listed company of Allied Properties Resources Limited. The ultimate holding company of Allied Properties Resources Limited is Allied Group Limited, a company in which Lee Seng Hui, together with other trustees of the Lee and Lee Trust has an interest of 64.90%.

Accordingly, Lee Seng Hui was taken to have had a relevant interest in the shares held by Eurogold Limited in Tanami Gold NL.

Lee Seng Hui is not a director of Eurogold Limited and has no input into Eurogold Limited's decision to trade the securities that Eurogold Limited held in Tanami Gold NL.

**Mr R Walker ceased to be classified as key management personnel on 1 July 2011.

Options of Directors and Key Management Personnel

2012

Options	Balance 1 July 2011	Granted as Remuneration	Options Forfeited	Balance 30 June 2012	Vested 30 June 2012
Directors					
Mr A Dew	-	-	-	-	-
Mr D Waddell	-	-	-	-	-
Mr A Senior	116,668	300,000	-	416,668	416,668
Mr SH Lee	-	-	-	-	-
Mr C Procter	-	-	-	-	-
Other Key Management Personnel					-
Mr A Czerw	-	1,500,000	-	1,500,000	-
Mr J Latto	10,000	500,000	(10,000)	500,000	-
Total	126,668	2,300,000	(10,000)	2,416,668	416,668

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

The shares arising from the entitlements issue shown for Mr SH Lee in the table above are held by Allied Properties Resources Limited a company in which Mr SH Lee (together with others as trustees of the Lee and Lee Trust) has an interest of 64.90%. Accordingly, Mr SH Lee is taken to have a relevant interest in the 61,378,788 shares held by Allied Properties Resources Limited.

Shareholdings of Directors and Key Management Personnel

2011

Ordinary Fully Paid Shares	Balance 1 July 2010	Granted on Exercise of Options	Entitlements Issue	Balance 30 June 2011
Directors				
D Waddell	2,336,000	-	3,336,134	5,672,134
G Sloan	-	-	-	-
A Senior	23,333	-	43,372	66,705
SH Lee	29,651,914	-	41,045,985	70,697,899
Other Key Management Personnel				
D Harper	-	-	-	-
R Henderson	-	-	-	-
J Latto	-	33,334	40,000	73,334
R Walker	1,398	333,334	400,000	734,732
Total	32,012,645	366,668	44,865,491	77,244,804

Options of Directors and Key Management Personnel

2011

Options	Balance 1 July 2010	Options Exercised	Balance 30 June 2011
Directors			
D Waddell	-	-	-
G Sloan	-	-	-
A Senior	116,668	-	116,668
SH Lee	-	-	-
Other Key Management Personnel			
D Harper	-	-	-
R Henderson	-	-	-
J Latto	43,334	(33,334)	10,000
R Walker	333,334	(333,334)	-
Total	493,336	(366,668)	126,668

All equity transactions with directors other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

c) Other transactions with the Company or its controlled entities

Specified directors hold positions in other entities that resulted in them having control or significant influence over the financial or operating policies of those entities. These entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The Company provided ad-hoc administrative services to Orion Gold NL, a Company of which Denis Waddell is a Director. These administrative services, which had a value of $1,665 for the year ended 30 June 2012, were recharged to Orion Gold NL on commercial terms.

26. NON-KEY MANAGEMENT PERSONNEL RELATED PARTIES DISCLOSURES

Wholly-Owned Group

Tanami Exploration NL and Tanami (NT) Pty Ltd are both wholly owned subsidiaries of Tanami Gold NL.

Loan from Related Parties

During the year ended 30 June 2012, the Company has continued to use its unsecured loan facility with AP Finance Limited to assist with funding its:

- Intensive exploration programs at both the Company's Coyote Gold Project and the Central Tanami Project which have resulted in significant increases in the Company's Resources;
- Definitive Feasibility Study for the development of the Central Tanami Project;

26. NON-KEY MANAGEMENT PERSONNEL RELATED PARTIES DISCLOSURES (CONTINUED)

- Ongoing care and maintenance costs at the Central Tanami Project;
- Progressive refurbishment of the Company's mining equipment, support equipment and camp infrastructure;
- Other capital upgrades such as increases to the Tailings Storage Facility at the Coyote Gold Project; and
- Provision of additional working capital.

The Company has an unsecured loan facility with AP Finance Limited for HK$280.7 million (approximately A$35.52 million). As at 30 June 2012, the Company had drawn down HK$216.7 million (approximately A$27.56 million), leaving it with HK$64 million (approximately A$8.10 million) in undrawn funds. The Company's unsecured loan facility with AP Finance Limited has a repayment date of 30 June 2014.

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.

27. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in the gold exploration and gold mining industry.

Information about reportable segments

In thousands AUD	Gold Production		Exploration		Total	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Revenues	65,343	57,781	-	-	65,343	57,781
Interest income	143	-	125	337	268	337
Interest expense	(203)	(42)	-	-	(203)	(42)
Depreciation and amortisation	(21,719)	(19,467)	(659)	(23)	(22,378)	(19,490)
Reportable segment (loss)/profit before income tax	(8,518)	1,954	(566)	310	(9,084)	2,264
Reportable segment assets	38,754	46,169	79,582	51,950	118,336	98,119
Reportable segment liabilities	16,264	16,715	4,753	2,904	21,017	19,620
Capital expenditure	(20,131)	(28,593)	(5)	(211)	(20,136)	(28,804)

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue and other income		
Total revenue and other income for reportable segments	65,343	57,781
Consolidated revenue and other income	65,343	57,781
Profit or loss		
Total loss or profit for reportable segments	(9,084)	2,264
Other profit	12,353	3,944
Unallocated amounts: other corporate expenses	(9,726)	(5,257)
Share of loss of equity accounted investees	(331)	(325)
Gain on dilution of shareholding in equity accounted investees	2,484	346
Consolidated (loss)/profit before income tax	(4,304)	972
Assets		
Total assets for reportable segments	118,336	98,119
Investments in equity accounted investees	-	10,039
Other unallocated amounts	9,079	18,445
Consolidated total assets	127,415	126,603
Liabilities		
Total liabilities for reportable segments	21,017	19,620
Other unallocated amounts	27,590	23,926
Consolidated total liabilities	48,607	43,546

Major customer

The Consolidated Entity sells gold on-market through third parties and is not able to identify the end customer.

28. EARNINGS PER SHARE

	Number of shares	
	2012	**2011**
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	261,045,759	241,414,503

Basic earnings/(loss) per share

The calculation of basic earnings per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of $4,304,922 (2011: Profit $972,405) and a weighted average number of ordinary shares outstanding of 261,045,759 (2011: 241,414,503), calculated as follows.

Weighted average number of ordinary shares	**2012**	**2011**
Issued ordinary shares at 1 July	260,997,677	117,946,335
Effect of employee option conversions in July 2010	-	631,370
Effect of employee option conversions in March 2011	-	16,575
Effect of rights taken up under July 2010 entitlements issue	-	122,820,223
Effect of shares issued in February 2012	48,082	-
Weighted average number of ordinary shares at 30 June	261,045,759	241,414,503

Diluted earnings/(loss) per share

Diluted loss per share for 2012 equals basic loss per share as the options on issue are considered anti-dilutive.

	2012	**2011**
Weighted average number of ordinary shares (diluted)	261,045,759	241,414,503
Weighted average number of ordinary shares (basic)	261,045,759	241,414,503
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	261,045,759	241,414,503

29. NOTES TO STATEMENT OF CASH FLOWS

a) Reconciliation of cash and cash equivalents

For the purpose of the Consolidated Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Cash assets	2,815	6,749
b) Reconciliation of net cash flow from operating activities to net (loss)/profit		
Net (loss)/profit	(4,304)	972
Add/(less) non-cash items		
Exploration expenditure written off	69	5
Depreciation	3,521	4,937
Amortisation	18,198	14,625
Foreign exchange loss/(gain)	524	(1,616)
Unwinding of interest rate on provision for rehabilitation	128	(165)
Share based payments	682	80
Gain on dilution of shareholding in ABM Resources NL	(2,484)	(346)
Add/(less) items classified as investing/financing activities		
Gain on disposal of fixed assets	(177)	-
Gain on derivative asset	(3,307)	(3,780)
Loss on sale of financial assets	280	
Share of loss of equity accounted investee (net of income tax)	331	325
Impairment loss on available for sale financial assets	2,241	-
Gain on sale of investment	(13,223)	-
Net cash provided by operating activities before changes in assets and liabilities	2,479	15,038
Changes in assets and liabilities during the financial year:		
Increase/(decrease) in receivables	1,103	(1,562)
Increase/(decrease) in inventories	2,464	(4,949)
Decrease in prepayments	(295)	(81)
Increase in provisions	619	456
Increase in payables	730	219
Net cash used in operating activities	7,100	9,119

30. EVENTS SUBSEQUENT TO BALANCE DATE

During the period from 1 July 2012 to 20 September 2012, the Company progressively drew down its remaining HK$64 million under its unsecured loan facilities with AP Finance Limited, receiving approximately A$8.93 million over 5 drawdowns. These funds were used to assist in funding the Company's:

- Intensive exploration programs at both the Company's Coyote Gold Project and the Central Tanami Project which have resulted in significant increases in the Company's Resources;
- Definitive Feasibility Study for the development of the Central Tanami Project;
- Ongoing care and maintenance costs at the Central Tanami Project;
- Progressive refurbishment of the Company's mining equipment, support equipment and camp infrastructure;
- Other capital upgrades such as increases to the Tailings Storage Facility at the Coyote Gold Project; and
- Provision of additional working capital.

31. FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Consolidated Entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

1. Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Consolidated Entity is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Presently, the Consolidated Entity undertakes mining, exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

Cash and cash equivalents
The Consolidated Entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Other receivables
The Consolidated Entity's revenue is derived (apart from immaterial recharges) from gold sales. Management does not expect any counterparty to a gold sale to fail to meet its obligations.

Exposure to credit risk
The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date is:

	Note	2012 $'000	2011 $'000
Cash and cash equivalents	9	2,815	6,749
Other receivables	10	7,210	8,824
Available for sale financial assets	11	6,084	-
Derivatives	16	-	7,800

The Consolidated Entity is exposed to minimal credit risk in relation to the cash and cash equivalents or other receivables in the preceding table because:

- The Consolidated Entity invests in or deposits cash with counterparties that have an acceptable credit risk rating, and as a result, Management consider that there is minimal credit risk attached to the Consolidated Entity's cash and cash equivalents balances;
- The Consolidated Entity's other receivables predominantly relate to amounts payable from Government institutions which management consider is risk free. Of the $7,210,364 in other receivables, $5,219,000 relates to environmental performance bonds lodged with the Northern Territory Department Resources, the Western Australian Minister of State Development and Newmont Australia Limited, $719,035 relates to GST receivables and $503,924 relates to fuel rebates; and

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

1. Credit Risk (continued)

- Of the remaining $768,405 of the Consolidated Entity's other receivables, $23,634 relates to recharges to contractors engaged at the Coyote Gold Project and the Central Tanami Project, $327,251 relates to insurance prepayments, $177,175 relates to a rental bond for the corporate office and the balance of $240,345 relates to miscellaneous receivables. These recharges, prepayments and rental bonds are on commercial terms, and as a result, Management consider that there is minimal risk associated with these amounts.

2. Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as and when they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 30 June 2012

	Carrying Amount $'000	Contractual Cash Flows $'000	6 Months Or Less $'000	6-12 Months $'000	1-2 Years $'000	2-5 Years $'000	More Than 5 Years $'000
Finance lease liabilities	1,468	(1,619)	(377)	(320)	(592)	(330)	-
Loans	27,552	(39,067)	(3,014)	(2,879)	(33,174)	-	-
Trade and other payables	12,987	(12,987)	(12,987)	-	-	-	-
	42,007	(53,673)	(16,378)	(3,199)	(33,766)	(330)	-

a. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

b. The loans shown in the preceding table relate to the Company's drawdowns under its HK$280.7 million (approximately A$35.52 million) unsecured loan facility with AP Finance Limited. This loan is due for repayment on 30 June 2014.

Consolidated 30 June 2011

	Carrying Amount $'000	Contractual Cash Flows $'000	6 Months Or Less $'000	6-12 Months $'000	1-2 Years $'000	2-5 Years $'000	More Than 5 Years $'000
Finance lease liabilities	251	(284)	(85)	(85)	(114)	-	-
Loans	22,749	(24,072)	(24,072)	-	-	-	-
Trade and other payables	14,692	(14,692)	(14,692)	-	-	-	-
	37,692	(39,048)	(38,849)	(85)	(114)	-	-

3. Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: currency risk, interest rate risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available for sale financial assets and derivative financial instruments.

4. Currency Risk

The Consolidated Entity currently has Hong Kong dollar denominated debt with an Australian dollar equivalent of $27,551,703 as at 30 June 2012 (2011: $23,171,886) and therefore has exposure to movements in the Hong Kong dollar/Australian dollar exchange rate.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

4. Currency risk (continued)

The carrying amount of the Consolidated Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2012	**2011**	**2012**	**2011**
	A$'000	**A$'000**	**A$'000**	**A$'000**
Australian dollar carrying amount of Hong Kong dollar denominated liabilities	27,552	22,749	-	-

Sensitivity analysis – exchange rates

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date.

At 30 June 2012, if exchange rates had moved, as illustrated in the table below, the loan payable (and accrued interest) would be affected as follows:

	2012	**2011**
	A$'000	**A$'000**
Judgements of reasonably possible movements		
AUD/HKD +5%		
Loan higher/(lower)	(1,312)	(1,042)
AUD/HKD -5%		
Loan higher/(lower)	1,450	1,226

5. Interest Rate Risk

The Consolidated Entity is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instruments value will fluctuate as a result of changes in the market interest rate on interest-bearing financial instruments. The Consolidated Entity does not use derivatives to mitigate these exposures.

	Consolidated	Carrying Amount
	2012	**2011**
Fixed rate instruments	**$'000**	**$'000**
Finance lease liability	1,468	251
Loans	27,552	54,835
	29,020	**55,237**
Variable rate instruments		
Cash and cash equivalents	2,815	6,749
Other receivables*	5,396	5,368
	8,211	**12,117**

* Other receivables which are variable rate instruments are the term deposits placed in support of environmental performance bonds lodged with the Minister of State Development (WA) $2,336,000 (2011: $2,190,000), Newmont Australia Limited $1,105,000 (2011: $1,105,000), and the Department of Resources (NT) $1,777,426 (2011: $1,777,426). In addition, $177,175 (2011: $177,679) has been held as a rental bond for the corporate office and excess funds of $574 (2011: $117,574) are held in term deposit with the National Australia Bank Limited for future bond requirements. The term deposits mature on a monthly basis and their value is dependent on a variable interest rate.

Fair value sensitivity analysis for fixed instruments

The Consolidated Entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

30 June 2012	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	$'000	**$'000**	**$'000**	**$'000**
Interest income on cash balance	28	(28)	28	(28)
Interest income on other receivables (term deposits)	54	(54)	54	(54)
Cash flow sensitivity (net)	82	(82)	82	(82)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

5. Interest Rate Risk (continued)

30 June 2011	**Profit or loss**		**Equity**	
	100bp increase	**100bp decrease**	**100bp increase**	**100bp decrease**
	$'000	**$'000**	**$'000**	**$'000**
Interest income on cash balance	67	(67)	67	(67)
Interest income on other receivables (term deposits)	54	(54)	54	(54)
Cash flow sensitivity (net)	121	(121)	121	(121)

6. Fair Value

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	**30 June 2012**		**30 June 2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	2,815	2,815	6,749	6,749
Available for sale financial assets	6,084	6,084	-	-
Other receivables	7,210	7,210	8,824	8,824
Derivatives	-	-	7,800	7,800
Trade and other payables	12,847	12,847	14,692	14,692
Finance lease liabilities	1,468	1,468	251	251
Loans	27,552	27,552	23,172	22,749

7. Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

30 June 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Available for sale financial assets	6,084	-	-	6,084

30 June 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Derivative financial assets	-	-	7,800	7,800

Refer to note 6 for details on movement in fair value during the period. There were no acquisitions or disposals of options during the period.

8. Commodity Price Risk

The Consolidated Entity is a gold producer and has exposure to the gold price. The Consolidated Entity operates so as to remain exposed to fluctuations in the gold price as is the current industry practice. The Consolidated Entity does not have any gold hedging contracts.

The Consolidated Entity manages its exposure to commodity price risk by:

- Actively monitoring gold prices on a daily basis;
- Actively engaging with industry experts to assess and review forecast gold price movements, which are taken into consideration when decisions are made to sell gold produced; and
- Entering into swap arrangements utilising advice from industry experts which provides the Consolidated Entity with opportunities to leverage into favourable gold price movements prior to completion of the refining process.

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

8. Commodity Price Risk (continued)

Sensitivity analysis – gold price

Judgement of reasonably possible movements	**2012 $'000**	**2011 $'000**
Gold Price +50.00 AUD per ounce		
- Net profit/loss for the year higher/(lower)	2,061	2,072
- Total equity higher/(lower)	(2,061)	(2,072)
Gold Price -50.00 AUD per ounce		
- Net profit/loss for the year higher/(lower)	(2,061)	(2,072)
- Total equity higher/(lower)	2,061	2,072

9. Capital Management

The Consolidated Entity's objectives when managing capital are to safeguard the Consolidated Entity's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Consolidated Entity may return capital to shareholders, issue new shares or sell assets to reduce debt. The Consolidated Entity's focus has been to raise sufficient funds through debt and or equity to fund development, exploration and evaluation activities.

There were no changes in the Consolidated Entity's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group's debt-to-adjusted capital ratio at the end of the reporting period was as follows:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Total liabilities	48,607	43,546
Less: cash and cash equivalents	(2,815)	(6,749)
Net debt	45,792	36,797
Total equity	78,808	83,057
Adjusted capital	78,808	83,057
Debt-to-adjusted capital ratio at 30 June	0.58	0.44

32. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2012 the parent company of the Consolidated Entity was Tanami Gold NL.

	2012 $'000	2011 $'000
Result of the parent entity		
(Loss)/profit for the year	(6,493)	1,071
Total comprehensive income for the year	(6,493)	1,071
Financial position of the parent entity at year end		
Current assets	292	3,035
Total assets	104,231	105,917
Current liabilities	(38)	22,859
Total liabilities	(27,590)	22,859
Total equity of the parent entity comprising of:		
Issued capital	244,189	244,794
Accumulated losses	(168,707)	(162,214)
Share based payment reserve	1,159	477
Total equity	76,641	83,057

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2012

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

1. In the opinion of the directors:

    a) the consolidated financial statements and notes and the Remuneration report set out in note 13 in the Directors' report 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 30 June 2012 and of its performance for the financial year ended on that date; and

        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b)

    c) subject to note 1b, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

On behalf of the board

Mr A G Dew
Non-Executive Chairman

Perth, Western Australia
28 September 2012

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Tanami Gold NL (the Group), which comprises the consolidated statement of financial position as at 30 June 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in section 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Tanami Gold NL for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Grant Robinson

Grant Robinson
Partner

Perth

28 September 2012