



#### COMPANY ENQUIRIES

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Tanami Gold NL ('Tanami' or 'the Company') announces the outcome of a review of the Company's operations in response to prevailing market conditions at a meeting of the Board of Directors held on Thursday, 18 April 2013.

In particular, the Board assessed the impact of the substantial fall in the gold price on the Company's current financial position and its impact on the current Coyote Mine Operation ('Coyote'). In this context the Board has also assessed the current status of the feasibility studies in progress and the investment case for the development of Tanami's future gold projects.

The key outcomes of the Board review were:

- Placing the Company's treatment plant at the Coyote Gold Project on care and maintenance in an orderly fashion as mining from the almost exhausted Motley lode is wound down;
- Broadening the scope of the feasibility studies on the Kavanagh deposit to investigate the options and cost to further upgrade the Mineral Resource both in terms of total contained gold and Mineral Resource classification to strengthen the investment case for development at the current prevailing gold price, which the Board notes is below the base case assumptions used to date;
- Deferring a development decision on the Groundrush / Central project, switching focus to a renewed exploration effort to meet key Mineral Resource criteria necessary for justification and securing of funding for commercial development;
- Commencing a broader review of the Company's strategic direction, with a focus on the restoration of shareholder value.

#### **Coyote / Western**

The Company has previously reported that the Motley lode currently being mined at Coyote is likely to be exhausted by the end of June this year and that the future of the Coyote mine depended on the possible development of the Kavanagh lode which was recently discovered and is undergoing feasibility studies.

Timely access to ore from the Motley lode was reliant on equipment availability and utilisation. Breakdowns of critical elements of the mining fleet resulted in development delays leading to production shortfalls. Although mining at the Motley lode is now producing good ore grades, with the recent major fall in the price of gold the Coyote operations are unable to meet the Company's costs as presently structured.

The Company recently announced a maiden Inferred Mineral Resource of 100,000 ounces for Kavanagh and indicated the Company was developing a proposal to develop and mine Kavanagh (refer ASX announcement dated 9 April 2013).

However, the Kavanagh feasibility studies completed to date do show the project has considerable merit, subject to increasing the Mineral Resource size and classification for which the exploration case looks compelling. Unfortunately, the uncertainties regarding the commodity price and the development case do not in the opinion of the Board indicate likely sufficient economic result to justify the Company funding the capital costs of developing Kavanagh at this time.

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An interim Kavanagh investment case has now been completed and reviewed by the Board. The Board considers the Kavanagh Mineral Resource as currently delineated, in the light of the prevailing spot gold price and allowing for suitable contingencies, is not of sufficient size and Mineral Resource Category to allow an investment decision to commit to its development in a timeframe that would permit continuity of the Coyote operations.

Accordingly, the Board has decided to take a prudent and conservative view to postpone any development of Kavanagh, and to place the Coyote operation on a care and maintenance basis as mining from the almost exhausted Muttley lode is wound down.

Further exploration of Kavanagh will be considered and further announcements will be made in due course and as appropriate.

Tanami Chairman Arthur Dew said it was disappointing this decision had to be made but that the Board of Directors believed that this was in the best interest of shareholders – and of shareholder value – given the sharp fall in the gold price and prevailing conditions.

“We believe this is the prudent course of action to take at this time, although we are very aware of the frustration this may cause to many shareholders who have been supportive of Tanami in recent years,” said Mr Dew.

“Be assured, our unswerving focus as a board is on restoration of value for all shareholders.”

## **Groundrush / Central**

As Tanami has previously announced, following the encouraging results obtained pursuant to the drilling programs carried out in 2011 and 2012, a Feasibility Study was being carried out regarding the development of the project and the commencement of mining.

The Feasibility Study has now been substantially completed. The Feasibility Study has considered several combinations of open pit and underground developments. The combined impact of the lower gold price and higher stripping ratios for the open cut scenarios has meant that the investment case for such scenarios cannot be demonstrated. However, recent optimisation of the Feasibility Study, based on an all underground mine development, indicates potential for future development subject to a number of criteria. The key criterion is to achieve an increase in the Mineral Resource base in several areas within the contemplated mine development envelope which currently are of insufficient certainty, and in the Mineral Resource category, to be included in the Feasibility Studies.

In these circumstances, the Board has taken the prudent and conservative decision to postpone any immediate development of the project. Instead, Tanami will now proceed to develop and consider implementation of an appropriate additional drilling program with a view to increasing the Mineral Resource base, and/or await more favourable economic conditions, before giving further consideration to development.

Mr Dew said the Board regards Groundrush / Central as highly prospective and as its flagship asset.

“We will now seek to develop a program to build the resource and reserve ounces to a point where the Company can confidently progress development of a project that has clear viability, in the light of the prevailing conditions at the time of the investment decision” he said.

## **Corporate Operations**

As previously announced, the Company has been involved in discussions with certain corporate interests regarding possible commercial arrangements. No proposals have been received to date. The Company will continue discussions with interested parties.

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The Board's priority is stabilising the Company's financial position and putting Tanami on a financial footing that allows it to properly fund its activities within its means and in line with its new corporate focus.

Without positive cash flow from the Coyote Mine Operations, Tanami is currently dependent on its loan facility from Sun Hung Kai International Bank (Brunei) Limited, a company associated with Tanami's major shareholder Allied Group Limited, to meet its cash needs.

## **Strategic Direction**

The Board has committed to undertake a comprehensive review of the Company's policies and procedures and the broader future directions of the Company.

The Board's primary concern is to restore and grow shareholder value. It will take a prudent and cautious approach at all times, seek the best advice available to it, and will focus on the delivering the best possible outcome for all shareholders.

Mr Peter Cordin will continue as acting Chief Executive Officer ('CEO') for the present and will be assisted in the processes outlined above by the Non-Executive Directors.

The Board has also committed to a comprehensive rationalisation of Tanami's cost base to bring it into line with the Company's revised operating profile and reflecting the reliance on the loan facility to meet its cash requirements. The cost of redundancies and the ongoing costs of placing Coyote on care and maintenance are being determined.

Mr Dew said the shrinking of Tanami's cost base was crucial if the Company was to restore value for shareholders.

"We fully appreciate the impact this will have on a large number of people but the Board's primary responsibility is to respond to prevailing conditions in a responsible manner that will protect investors' funds," he said.

"At the appropriate time – and under appropriate conditions – Tanami will look to expand its operations again to take advantage of the underlying value of its assets.

**Arthur Dew**  
**Non-Executive Chairman**