



27 June 2018

UPDATE ON CENTRAL TANAMI PROJECT

Background – Northern Star Joint Venture

On 26 February 2015, Tanami Gold NL (**Company**) announced that it had entered into a joint venture agreement with Northern Star Resources Limited (**Northern Star**) in respect of the development of the Central Tanami Project.

On 31 July 2015, following satisfaction of the conditions precedent to the joint venture agreement (including the approval of the Company's shareholder pursuant to ASX Listing Rule 11.2), Northern Star acquired a 25% stake in the Central Tanami Project for \$11 million in cash and 4,290,228 Northern Star shares. Tanami retained and continues to retain a 75% interest in the Central Tanami Project.

Pursuant to the terms of the joint venture agreement:

- Management of the exploration activities in relation to the Central Tanami Project has been handed over to Northern Star who is required to sole fund all joint venture related expenditure, including exploration, evaluation and development costs during the sole funding period.
- Northern Star has undertaken to use its best endeavours to achieve commercial production by the date that is 3 years after completion of the initial investment, being 31 July 2018, subject to certain potentially mitigating factors. Commercial production is defined under the agreement as being the date on which the process plant at the Central Tanami Project has been refurbished to operating condition and has operated for a continuous 30-day period or has produced 5,000 ounces of gold ore.
- On the achievement of commercial production, the sole funding period will expire, and Northern Star will earn a further 35% undivided interest in the Central Tanami Project, taking its total joint venture interest to 60%.
- Tanami was also granted two put options. The first put option allows Tanami the right but not the obligation to sell 15% of the Central Tanami Project to Northern Star for \$20 million in cash or Northern Star shares (valued at the 5 day VWAP prior to exercise) at any time up to the earlier of three years after completion of the acquisition (ie 31 July 2018) or commercial production being achieved (which could be sometime after 31 July 2018). The second option grants Tanami the right but not the obligation to sell 25% of the Central Tanami Project for \$32 million in cash or Northern Star shares (valued at the 5 day VWAP prior to exercise) up to six months after commercial production is achieved.

Exercise of the first put option

The Company has been advised by Northern Star that 'commercial production' (as defined under the joint venture agreement) will not be achieved by 31 July 2018. Furthermore, based on information available to Tanami as at the date of this announcement, it is not presently clear when or, indeed, if commercial production will ultimately be achieved.

Failure to achieve commercial production by 31 July 2018 will render the first put option unexercisable until the date on which commercial production is actually achieved.



Absent the receipt of any new material information, the Board is of the opinion that it is in the best interests of the Company's shareholders to exercise the first put option and, accordingly, has resolved that it will take the necessary action to exercise the first put option on or immediately prior to 31 July 2018 in accordance with the terms of the joint venture agreement.

In reaching this decision, the Board has met and undertaken a detailed assessment of the Company's rights under the joint venture agreement and the options available to it as this time in light of all available information.

The Board will continue to keep the market informed as new information becomes available.

Gerard McMahon
Chairman