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Tanami Gold NL
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West Perth, WA 6005

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Tanami Gold NL announced in December 2005 that its Board had approved the development of its Coyote Gold Project (100%) in Western Australia. What are your immediate objectives now that shareholders have approved the A\$20 million capital raising and the funds have been received. Can you outline your current funding position and the amounts you will allocate to capital expenditure for Coyote and for exploration?

Executive Chairman Denis Waddell

Our immediate objective is to commission the Coyote Gold Project with our first gold pour on track for June this year. Meeting this timetable will be a terrific effort by our team and I think we'll surprise the market. Australia will have a new gold producer within eight weeks.

Our objective on the exploration front is to immediately leverage off our major ground holding in the Tanami-Arunta Province. We have numerous drill targets to test during this field season through to December this year. The first drill rig arrives next week to commence drilling at Reynolds Range in the Northern Territory and a few weeks after that we will commence drill testing many prospects located within trucking distance of the Coyote mill. We have a major exploration program and it's a very important objective to increase our resource and reserve base at Coyote and to pursue the next major new discovery in the Tanami.

We've just completed a A\$20 million capital raising and we have no debt or hedging. Approximately A\$15 million will be allocated to Coyote including A\$9 million on the refurbishment and construction of the mill, the camp, airstrip, evaporation pond, general infrastructure and on performance bonds. We deliberately raised an additional A\$5-6 million to fast-track the open pit so that we can access the higher grade underground ore earlier. Originally we were to commence the underground development about 13-14 months into the project, but it should now be after about 10 months. To achieve this, we will use additional excavators and trucks and that obviously requires more capital.

The additional funds will also enable us to advance what we call Stage 2 of the project which is the conversion of existing resources to reserves which aren't currently included in our five year mine plan for Stage 1 production. We also aim to increase the resource base by drilling extensions to existing lodes and other near-mine regional targets. This should add mine life to the project and in particular enable us to increase our production profile.

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Can you broadly profile the Coyote project including annual production of gold and ore and expected cash operating costs?

Executive Chairman Denis Waddell

In summary, we're forecasting Stage 1 production of a minimum 60,000 ounces per annum with a target of progressively increasing the production level to 100,000 ounces per annum by incorporating Stage 2 over the next five years. Meeting the Stage 2 production target will require more resource to reserve conversion and also extending the current resource base.

Cash operating costs are expected to average around A\$350/oz and that will give us very healthy operating margins and strong operating cash flows with the gold price currently around A\$830/oz.

During Stage 1 of the project, the first ore mined will be oxide ore from the open pit which is softer and generally lower grade than the underground ore, although the open pit at Coyote is still a robust grade at between 6-7g/t. Mining the open pit should deliver us a base case throughput rate of 300-400,000tpa although this may increase now that the gold price is much higher than when we completed our feasibility study. We're doing some further optimisation studies at the moment. The underground will only need to deliver about 120,000tpa to maintain the Stage 1 rate of 60,000 ounces per annum because the underground grades average around 15g/t. We'll have a much better understanding of the orebody and grade reconciliation once we start mining and treatment which will enable us to optimise throughput rates. We can treat anywhere from 100,000tpa up to 500,000tpa without any further capital expenditure, which provides great flexibility.

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What gold price and exchange rate assumptions did you use for board approval for the base case project? How sensitive are project returns to gold prices and exchange rates? What consideration will you give to gold price hedging?

Executive Chairman Denis Waddell

Our feasibility study completed late last year was based on a gold price of around US\$450/oz at an exchange rate of US\$0.72, which is around A\$625 per ounce. That would have generated surplus cash flow of A\$15-16 million per annum on our Stage 1 production of 60,000 ounces per annum. However, estimated cash flow increases to A\$25-30 million per annum based on current spot gold prices and significantly higher cash flow if we achieve our targeted Stage 2 production levels.

Coyote is a very robust project even at the lower gold prices used in our feasibility study because of its high grades. We only have to treat two tonnes of underground ore to produce one ounce of gold. If we can increase our production profile, cash flow numbers will increase accordingly.

We've made it very clear to the market that we won't be hedging our production. We have a very strong institutional shareholder base and that was one of the reasons we elected to raise equity for the development of the mine rather than debt. Some of our major shareholders said that they would be unhappy if we hedged and some also indicated that it was outside their investment mandate. We have a bullish view on the gold price because the fundamentals suggest that it should remain strong for several years. However, we wouldn't rule out taking out some downside protection with put options after we see how the mine's performing and how high the gold price moves. Put options would not limit our gold price upside participation.

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What is Tanami's current resources and reserves inventory and the expected mine life for Coyote?

Executive Chairman Denis Waddell

The current JORC-compliant resource at Coyote is 572,000 ounces of gold consisting of the Coyote, Kookaburra and Sandpiper deposits. Importantly though, the resource was calculated using pretty conservative assumptions including a 1g/t cut-off grade.

Total Reserves are currently 272,000 ounces which underpins Stage 1 production of 60,000 ounces per annum and gives us a mine life of just under 5 years. Stage 2 production is based on the 300,000 ounces of resources not currently classified as reserves. More drilling will be required to convert some of these resources into reserves. It will be cheaper to do that from underground and we'll be working on converting more resources to reserves over the next couple of years.

The three ore bodies are all open at depth and so we're also confident of extending the resources and reserves of the known ore bodies as well as making new discoveries.

We have significant resources not currently included in our JORC Reserves and other zones of mineralisation not included in resources. Importantly, because of the nuggetty nature of the deposit we have found that the lower grade mineralisation has returned more gold when samples are bottle roll tested than is

returned in standard fire assays. This indicates the lower grade mineralisation has the potential to convert to resources once we start treatment of the ore and get a better understanding of the grade reconciliations. The production cost per ounce of the lower grade ore would be higher than our current estimated average costs, however it will still be profitable. This is one way that we may be able to increase our production profile in the shorter term.

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Given your land holdings and confidence in adding new resources, what are realistic longer term production targets?

Executive Chairman Denis Waddell

Beyond Stage 2 production, we're targeting through discovery, to increase annual production to above 200,000 ounces. If we are successful in finding the next major orebody in the Tanami such as a Callie, production levels would be well above 200,000 ounces per annum. We will need to increase our resource/reserve position to achieve the higher production rates, however given our exploration landholdings, our experienced exploration team and cash flow from Coyote, we are well placed to achieve an increase in resources and production.

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Can you give more detail on the scope to increase the resources inventory around Coyote? Can you put that in the context of previous mining in the region?

Executive Chairman Denis Waddell

The targeted 100,000 ounces per annum production from Stage 2 is based on the Coyote, Kookaburra and Sandpiper deposits, which remain open at depth. We also have a number of ore grade intersections in prospects within trucking distance of Coyote, such as Pebbles and Road Runner, with a number of these prospects to be drill tested in coming months. We view these targets as more likely to provide incremental ounces although as the nature of mineralisation in the Tanami is that deposits occur in clusters, it is certainly not out of the question that we could have a major discovery from any of the targets to be drill tested this year.

We estimate that mining companies have spent around A\$200 million on exploration in the region for 11 million ounces discovered to date. That works out at A\$18 per discovered ounce. Although difficult to discover due to the lack of outcrop, once found, the Tanami deposits can be large and high grade.

We've built our major tenement position over the last ten years and we now have a much better understanding of the Tanami-Arunta Proterozoic terrain which is similar to other Proterozoic terrains which host some of the world's largest gold mines including the Homestake mine in the US which operated for over 100 years and the +30 million ounce Ashanti mine in Ghana. The highly prospective Tanami region is untapped and in our view has the potential to host world class orebodies. The Tanami region has been subject to very little exploration compared to the Eastern Goldfields for example. Virtually every mine developed in the region has grown in terms of reserves and annual production. The Granites gold mining operations (now owned by Newmont) started in 1983/84 with reserves of less than 200,000 ounces and production of about 25,000 to 30,000

ounces per year, however with further discoveries, the operations are now producing over 500,000 ounces per year.

Success at other mines in the Tanami has come from persistence in understanding the geological controls on mineralisation and I think we might see a similar story unfold at Coyote once we commence mining. Having exposed the orebody, we will be far better placed to target extensions to mineralisation at depth and along strike. We're in the main mineralised corridor of the Tanami, it has been subject to very little exploration to date and for the first time we're going to have significant cash flow to do justice to exploring the major ground position we've built up over the last ten years.

The extent and quality of our tenements and therefore the exploration upside is, I think, something that the market hasn't appreciated. We have drill programs planned for the rest of this year at numerous prospects near Coyote and at regional projects including Reynolds Range and Lake Mackay which are several hundred kilometres from Coyote. Any of these project areas have the potential to host multi-million ounce deposits. Although Coyote is a very nice starting project for us, the company-making growth will come from major new discoveries. We have a very strong exploration team with over 30 geological man years of experience in the Tanami and we're looking forward to a lot of success over the next few years based on many years of regional exploration already completed combined with the geological knowledge we will gain from mining Coyote, Kookaburra and Sandpiper.

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What are the technical challenges posed in developing these small and narrow veined, but high grade ore bodies? What do you see as the major project risks?

Executive Chairman Denis Waddell

The technical challenges in developing small and narrow veined, but high grade ore bodies generally comes down to the continuity of the ore grade and ore tonnes. A number of mines have come unstuck because insufficient drilling was undertaken and as a result, the structural controls on mineralisation not understood well enough. Metallurgy and geotechnical issues are other areas that must be assessed carefully.

One of the reasons we haven't developed Coyote sooner is because it's been difficult to extrapolate the many high grade hits over long distances within an acceptable level of confidence. So we've spent the last 18 months drilling the entire Coyote ore body down to 25 metre sections. Our understanding of the structural controls on mineralisation and geometry of the orebody has improved significantly to the point where our geologists are now able to target drilling at depths down to 200–250 metres and intersect the lodes. Our confidence in understanding the ore body is very high.

As is always the case, there will be some challenges when we start mining, however our mining engineers are very comfortable that we have a number of viable alternatives to mine the ore body. For example, once we're mining we'll decide whether we stick to very tight stoping of multiple narrow lodes or whether

it might be better to mine wider zones of mineralisation because of the potential overcall on grades from lower grade material.

On the geotechnical front, the open pit ore is soft and that means we'll have a high stripping ratio to ensure the pit walls are stable by laying them further back. Soft ore can also be viewed as a positive because we can mine it more cheaply. We're also looking at mining the underground by developing smaller headings using a roadheader machine which will enable us to mine underground using minimal drilling and blasting resulting in less dilution. This may result in significant increases in productivity because the mine has been costed using conventional jumbo and airleg mining techniques. The roadheader could not be used in most mines as the ore is generally too hard.

Water is another issue we will have to manage carefully. We have eight bores into the ore body and along strike and we're pump testing at the moment. It looks very controllable, but water management is something that we will have to watch carefully.

The metallurgy and recoveries are better than anything I've seen in 25-odd years in the mining industry. We'll recover 60-65% of the gold in the gravity circuit at the front end of the plant with only a very coarse grind required which will minimise power consumption. The remainder of the ore then goes through a CIL circuit and a vat leach for total gold recoveries of more than 95%. Our economic models are based on 94% recovery and our metallurgical test work has demonstrated recoveries in the very high 90s in a very short period.

So overall, we've very thoroughly addressed all the risks associated with what could be a challenging mine and we believe that we'll meet all of the technical requirements and cost targets outlined in our feasibility study.

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How have you coped with increases in costs such as steel and labour in building the project? Have you been able to attract enough quality people to your team?

Executive Chairman Denis Waddell

Last year when we deferred the development of Coyote we were looking at a larger scale development based on a bulk scale mine as opposed to the smaller high-grade minimal dilution approach we've now adopted. The costs associated with the larger scale development were very high because it involved a lot more steel, equipment, labour and fuel. Redesigning the mine has resulted in a significant reduction in capital costs, fuel costs and the number of people. The smaller scale development has also reduced the technical risks.

Importantly, we've also found that good quality people have applied for positions with the company because they are keen to become members of a highly motivated and professional team involved with a new robust mine and a large prospective land package which provides excellent growth opportunities. As a junior we would have one of the strongest exploration teams in Australia.

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Are all required agreements with indigenous groups in place? What contractors are you using?

Executive Chairman Denis Waddell

We have all the required agreements and approvals in place to begin mining including an agreement with the Tjurabalan traditional owners. We have a very strong commitment to training and employing indigenous people, particularly through our mining contractors, CDE Capital. It makes a lot of commercial sense to train local people and CDE Capital has a thorough understanding of the cultural issues, which we are keen to better understand and foster. Our commitment in this regard should be beneficial to the traditional owners and the Company.

We've appointed BeMeX to refurbish and operate our mill which we purchased late last year. They've been involved in several successful operations including Dominion's Challenger project. We will have our own people on site managing the operation with BeMeX managing the day-to-day operation of the mill. We really haven't had any problems in securing a very high quality and professional team of employees and contractors.

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What is Tanami's longer term growth strategy beyond developing Coyote?

Executive Chairman Denis Waddell

Our strategy has been very clear from day one. Since we started in 1994, we've set about establishing a large area of tenement holdings in the Tanami-Arunta Province of central Australia. We now hold over 50,000 square kilometres of prospective ground and our growth strategy has always been based on exploration. Exploration success is the cheapest and most leveraged way to add value for our shareholders. It's taken a long time to get to this position, but we've always had our team in the field and there has never been a field season where we haven't undertaken a lot of exploration and drilling which has resulted in our major ground holdings containing many advanced drill targets and prospects.

As I said previously, we could generate A\$25-30 million surplus cash flow per annum based on current spot gold prices during Stage I production of 60,000 ounce per annum. We plan to increase that to 100,000 ounces per annum, based on current resources and planned exploration programs. The cash flow we generate will give us the ability to internally fund intensive and ongoing exploration programs aimed at discovering the next major orebody in the Tanami. Our strategy is to focus on exploration aimed at significantly increasing our resource and reserve base and increasing our annual production in multiples.

We have the land holdings, expertise, focus and persistence to become a large and profitable Australian gold mining company.

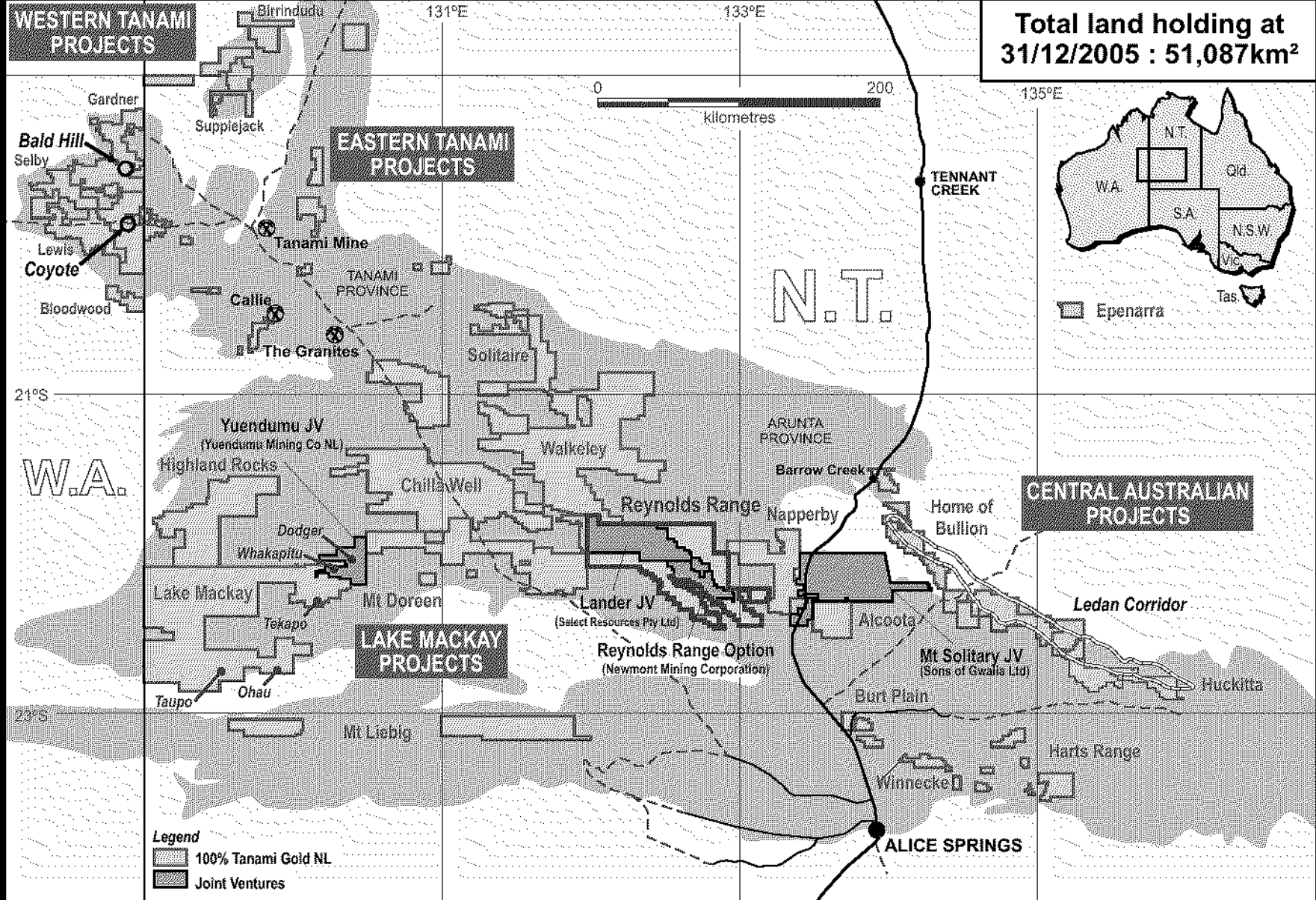
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Thank you Denis.

For further information on Tanami Gold NL visit www.tanami.com.au or contact Denis Waddell or John Traicos on 08 9212 5999.

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