



T A N A M I
G O L D N L

ABN 51 000 617 176

CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 December 2011

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DIRECTORS' REPORT
For the half-year ended 31 December 2011

The Directors present their report together with the consolidated interim financial report of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 December 2011 and the auditor's independent review report thereon.

1. Directors

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

Name		Period of directorship
Mr A.G. Dew	Non-Executive Chairman	Appointed 2 December 2011
Mr D.P. Waddell	Non-Executive Deputy Chairman	Appointed 21 July 1995
Mr G.J. Sloan	Managing Director/CEO	Appointed 18 September 2008, Resigned 9 December 2011
Mr A.A. Senior	Non-Executive Director	Appointed 31 July 2007
Mr S.H. Lee	Non-Executive Director	Appointed 5 March 2008
Mr C.C. Procter	Non-Executive Director	Appointed 9 December 2011
Mr M.T.C. Wong	Alternate Director for Mr A.G. Dew	Appointed 9 December 2011

2. Results

The Consolidated Entity has generated a total comprehensive loss for the period ended 31 December 2011 of \$10,744,380 (2010: Income of \$196,465).

3. Principal Activity

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

4. Restructuring

In December 2011, Mr A.G. Dew was appointed as a Non-Executive Director and elected as Chairman with Mr D.P. Waddell as Deputy Non-Executive Chairman. Mr C.C. Procter was appointed as an additional Independent Non-Executive Director to strengthen the Company's Corporate Governance. Mr M.T.C. Wong was appointed as an Alternate Director for Mr A.G. Dew.

Mr G.J. Sloan resigned as Managing Director.

Following these appointments and resignations, the senior executive team responsible for management was restructured with Mr A.E. Czerw appointed as General Manager. As previously announced, the Company is presently being managed by senior executive staff with executive support from the Deputy Chairman Mr D.P. Waddell and the Board. Further consideration will be given to the appointment of a Chief Executive Officer and a technical advisory committee in due course.

The Company has, since December 2011, been embarked upon a comprehensive review of its entire operations with the intention of reducing costs, improving efficiencies, enhancing Corporate Governance together with a professional re-assessment of its opportunities and priorities.

HK\$122.5 Million Increase in Loan Facilities with AP Finance Limited

During the period ended 31 December 2011, the Company increased its loan facilities with AP Finance Limited by HK\$122.5 million (approximately A\$15.5 million as at 31 December 2011) to HK\$356.7 million (approximately A\$45.2 million). At 31 December 2011, the Company had drawn down HK\$336.7 million (approximately A\$42.7 million) under its loan facilities leaving HK\$20 million (approximately A\$2.5 million) unused.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2011

These additional loan funds were used to fund the following:

- Ongoing exploration programs at both the Western Tanami Operations and the CTP which has increased both Mineral Resources and Ore Reserves;
- Completing mining and ore haulage at the Company's Bald Hill operations;
- Ongoing work associated with the Central Tanami Project Feasibility Study;
- Meeting the additional costs that the Company incurred associated with the fire at the Company's Western Tanami Operations in late September 2011; and
- Additional working capital.

However, as set out in detail hereunder a significant proportion of these loan funds have, since 31 December 2011, been repaid from funds generated from the sale of shares in ABM Resources NL.

5. Review of Activities

Overview

Tanami Gold NL's mining and exploration centres are situated in the Tanami Desert straddling the Western Australian and Northern Territory border. The Company's Western Tanami Operations, located in Western Australia, consist of an approximately 350,000 tonnes per annum treatment plant and an underground operation at Coyote.

In April 2010, the Company acquired the Central Tanami Project (CTP) from Newmont Mining Corporation. The CTP is located adjacent to the Tanami Road and approximately 90 kilometres east of the Coyote mine. The acquisition included 0.5 million ounces of JORC Compliant Resources, a treatment facility which upon refurbishment is expected to be capable of treating 1.2-1.5 million tonnes per annum, key infrastructure and access to an additional 2,000 square kilometres of mining and exploration tenements which the Company believes to be highly prospective. Since the acquisition of the CTP, an intensive drilling campaign has been undertaken targeting extensions to known Resources which has resulted in the CTP JORC Compliant Resource increasing to 2.079 million ounces.

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

To date, drilling at Groundrush has only tested a small area of approximately 450 metres along strike and 150 metres below the base of the 1.3 kilometre long open pit. This zone alone contains a 535,000 ounce Mineral Resource. The deposit displays clear potential to expand with new mineralised zones identified and many lodes remaining open down plunge and down dip with potential for repetitions at depth.

In addition, the drill results at Groundrush have highlighted the potential for new discoveries within the entire CTP tenement package which hosts numerous 'walk up' drill targets and prospective mineralised corridors. As such, it is also intended to undertake drill testing of other deposits and conceptual targets during 2012 which may impact on optimal mine development and treatment plant design.

As at December 2011, the Company had a combined JORC Compliant Western Tanami Project Resource (WTP Resource) and CTP Resource of 2.6 million ounces. Exploration of the CTP and WTP Resource tenements will remain a strong focus for the Company in 2012. There is an extensive drill program currently underway at CTP, with the main focus being delineation of Mineral Resources at Groundrush.

Gold produced for the December 2011 half-year totalled 20,050 ounces which was mostly sourced from the continued development and stoping of the Coyote underground mine, and completion of the stage 2 Bald Hill open pit mining program.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2011

Mining***Underground Mining***

For the half-year ended 31 December 2011, the Coyote underground mine produced approximately 59,000 tonnes of ore grading 7.98g/t for approximately 15,100 ounces. Ore was predominantly sourced from long hole stoping of the Gonzales ore body, hand held stoping of the 231 Levels of the South lode and the upper sections of the Bommie Lode.

A total of 1,172 metres of underground development was completed during the half-year ended 31 December 2011. Mechanised long-hole stoping has now been predominantly completed in the Gonzales ore body with the majority of ore won now coming from the Bommie and GZ12 lodes and the high grade South lode. Development of the main decline to access the lower levels of the high grade Bommie lode is continuing.

During the half-year ended 31 December 2011 the Company delineated a new zone of mineralisation (West Zone). The West Zone remains open to the west and is a priority target for the Company. A revised mine plan has been developed that incorporates accessing this new mineralised zone as a priority during the March 2012 Quarter.

Surface Mining

Stage 2 of the Bald Hill mining program was completed during the half-year ended 31 December 2011. Total ore mined during the half-year was 244,188 tonnes for 16,124 ounces of contained gold. The pit floor reached the bottom of the main Kookaburra ore zone at an overall pit depth of 97 metres. The predicted mining widths in excess of 50 metres were encountered in the main ore zone which is a shallow southerly plunging, and high grade synclinal keel dipping beneath the south wall of the pit. At the completion of Stage 2 mining, 518,400 tonnes for 31,500 ounces of gold had been mined against a forecast of 498,650 tonnes for 36,500 ounces. The overall performance of Stage 2 of the Bald Hill mining program was very disappointing due to lower than forecast recovered ounces, lower than forecast mining production rates and increased costs due to delays caused by record rain during March and April 2011. These factors led the Company to write off \$8.4 million of low grade Bald Hill stockpiles for the half-year ended 31 December 2011.

Rehabilitation of the Bald Hill mining areas commenced during the December 2011 Quarter and the mining contractor commenced de-mobilisation of the mining fleet. Cartage of ore stockpiles to the Coyote processing plant is scheduled to recommence following the end of the wet season in March 2012.

The Company is now evaluating the viability of heap leaching and beneficiation of approximately 500,000 tonnes of low grade stockpile ore remaining at Bald Hill. Some further work will also be undertaken to determine the viability of underground mining of the down plunge extension of the wide higher grade zone below the Kookaburra pit.

Exploration

Exploration and Resource delineation drilling continued during the half-year ended 31 December 2011. A total of 32,150 metres of combined diamond core (DC), reverse circulation (RC) and aircore (AC) drilling was completed at both projects.

Diamond Drilling at Groundrush targeted depth and strike extensions of the current Resource with several holes stepping out to the north and south of previous drilling, while also stepping down plunge of the main zone of mineralisation.

Central Tanami Project

The Central Tanami Project Pre-Feasibility Study ('PFS') previously embarked upon by the Company is now subject to an overall review by the new Board. Drilling and other work consistent with completion of a Feasibility Study is continuing, but the parameters and timing of a revised plan are still being evaluated.

The Company expects to be in a position to release an announcement regarding the outcome of this re-evaluation in the near future. Ongoing drill results are being announced as they come to hand.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2011

Exploration focused predominately on Resource delineation at Groundrush (35 kilometres north east of the CTP processing plant), Carbine, Southern and Hurricane. In total, 58 holes for 16,136 metres were drilled at the CTP during the half-year ended 31 December 2011. The drilling was predominately diamond coring, utilising tri-cone roller pre-collaring through surface weathered horizons. A concise RC drill program was also carried out at Groundrush and at the nearby Ripcord Prospect targeting new near mine Resources.

Western Tanami Operations

An aircore drilling program completed on the Company's extensive lease holding in the Western Tanami region resulted in 212 holes being drilled for 8,197 metres during the half-year ended 31 December 2011. In addition, a diamond drill program continued at the Coyote Mine with a total of 7,262 metres (108 holes) completed during the half year ended 31 December 2011.

Recent exploration drilling has focused on the western end of the deposit, with particular attention being paid to the West Zone lode surface. The results returned to date have been pleasing, and confirm the potential to expand the Mineral Resource base down plunge. Additional exploration drilling continues on the down plunge extents of the main Gonzales lode and the Bommie lode toward the bottom of the mine. All three lodes are open in multiple directions.

Work has commenced on determining the significance of these results and their impact on the available Mineral Resource. The Company is directing efforts into improving its knowledge of the Mineral Resource and to develop better short and long term mine planning directed towards increasing efficiency and production.

6. Subsequent Events

- (i) On 20 January 2012, the Company entered into a Memorandum of Understanding with ABM Resources NL ('ABM') to collaborate in assessing the economic potential of processing high grade gold mineralisation from ABM's 100% owned Old Pirate High Grade Gold Prospect at the Company's Western Tanami Operations processing plant. The Old Pirate Prospect is located 45 kilometres from the Coyote Gold Mine.
- (ii) On 1 February 2012, the Company granted security to AP Finance Limited (to the extent permitted by ASX Listing Rule 10.1) over its shareholding in ABM in recognition of the increased loan facilities that AP Finance Limited made available to the Company. Security was granted over 66,981,671 of the Company's 508,014,212 shares in ABM.
- (iii) On 2 February 2012, the Company increased its loan facilities with AP Finance Limited by HK\$33 million (approximately A\$4 million) to HK\$389.7 million (approximately A\$46.9 million at 2 February 2012). HK\$16.5 million (approximately A\$2 million) has been drawn down by the Company leaving HKD 16.5 million (approximately A\$ 2 million) in undrawn funds.
- (iv) On 13 February 2012, the Company announced that it had entered into an agreement with APAC Resources Capital Limited to sell its shareholding in ABM (being 508,014,212) shares at 5 cents per share. In addition, the Company converted 300 million options in ABM (exercisable at 1.5 cents per option) and sold a further 139,896,797 shares (at 5 cents per share) arising from the exercise of these options to APAC Resources Capital Limited. The gross sale proceeds of approximately \$32.4 million were applied as follows:
 - A\$22.9 million was repaid to AP Finance Limited to reduce the Company's debt;
 - A\$4.5 million was utilised by the Company to exercise its 300 million options in ABM; and
 - A\$5 million was retained by the Company for additional working capital.

Following the repayment of loan funds to AP Finance Limited, the Company has reduced its debt to approximately A\$22.4 million as at 8 March 2012.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2011

6. Subsequent Events (Cont'd)

- (v) On 22 February 2012, the Company offered 4,950,000 options in the Company to senior employees under the Tanami Gold NL Option and Performance Rights Plan. Material terms and conditions are:
- The option term is 5 years from the date of grant;
 - The vesting conditions of the options are:
 - 50% of the options will vest 12 months after the date of grant at an exercise price of \$0.90 per option;
 - 50% of the options will vest 24 months after the date of grant at an exercise price of \$1.00 per option.

DIRECTORS' REPORT (Cont'd)
For the half-year ended 31 December 2011

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

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

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included on the following page and forms part of the directors' report for the half year ended 31 December 2011.

Signed in accordance with a resolution of the Directors:



Mr A.G. Dew
Chairman

Perth, Western Australia
13 March 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 review for the half-year ended 31 December 2011 there have been:

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


KPMG


Grant Robinson
Partner

Perth

13 March 2012

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2011

	Note	31 Dec 2011	31 Dec 2010
Revenue from operating activities		31,398,093	26,945,850
Mine costs (including depreciation and amortisation)	7	(44,077,874)	(26,856,389)
Other income		1,147,814	53,435
Exploration and evaluation expenses written off	8	(43,407)	(4,913)
Administration and corporate expenses		<u>(1,891,646)</u>	<u>(2,354,516)</u>
Results from operating activities		(13,467,020)	(2,216,533)
Financial income		5,577,678	2,953,573
Financial expenses		(2,344,724)	(1,358,664)
Foreign exchange (loss)/gain		<u>(1,546,866)</u>	<u>636,246</u>
Net financing income		<u>1,686,088</u>	<u>2,231,155</u>
Share of loss of equity accounted investees (net of income tax)	11	(330,769)	(67,094)
Gain on dilution of shareholding in equity accounted investees (net of income tax)	11	<u>1,380,999</u>	<u>198,100</u>
(Loss)/profit before tax		(10,730,702)	145,628
Income tax expense		<u>-</u>	<u>-</u>
(Loss)/profit for the period		<u>(10,730,702)</u>	<u>145,628</u>
Other comprehensive (loss)/income - share of other comprehensive income of equity accounted investees		<u>(13,678)</u>	<u>50,837</u>
Total comprehensive (loss)/income for the period		<u>(10,744,380)</u>	<u>196,465</u>
Earning per share			
Basic (loss)/profit per share		(0.041)	0.001
Diluted (loss)/profit per share		<u>(0.041)</u>	<u>0.001</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
For the half-year ended 31 December 2011

		31 Dec 2011	30 Jun 2011
Assets	Note		
Current Assets			
Cash and cash equivalents		3,494,497	6,749,292
Trade and other receivables		4,766,269	2,851,587
Inventories	9	<u>13,215,268</u>	<u>11,186,461</u>
Total Current Assets		<u>21,476,034</u>	<u>20,787,340</u>
Non-Current Assets			
Other receivables		5,854,566	5,972,179
Property, plant and equipment	10	26,830,944	32,521,592
Exploration and evaluation	8	60,006,255	49,482,330
Investment in associates	11	11,076,074	10,039,522
Derivatives	12	<u>13,200,000</u>	<u>7,800,000</u>
Total Non-Current Assets		<u>116,967,839</u>	<u>105,815,623</u>
Total Assets		<u>138,443,873</u>	<u>126,602,963</u>
Liabilities			
Current Liabilities			
Interest-bearing liabilities	13	42,818,370	22,899,575
Trade and other payables		17,220,628	14,692,222
Provisions		<u>1,315,428</u>	<u>1,165,483</u>
Total Current Liabilities		<u>61,354,426</u>	<u>38,757,280</u>
Non-Current Liabilities			
Interest bearing liabilities	13	25,098	100,392
Provisions		<u>4,621,287</u>	<u>4,687,999</u>
Total Non-Current Liabilities		<u>4,646,385</u>	<u>4,788,391</u>
Total Liabilities		<u>66,000,811</u>	<u>43,545,671</u>
Net Assets		72,443,062	83,057,292
Equity			
Issued capital	14	244,794,180	244,794,180
Accumulated losses		(172,958,312)	(162,213,932)
Share based payment reserve		<u>607,194</u>	<u>477,044</u>
Total Equity Attributable to Equity Holders of the Company		<u>72,443,062</u>	<u>83,057,292</u>

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2011

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total Equity \$
Balance at 1 July 2010	183,469,346	(163,764,772)	876,994	20,581,568
Total comprehensive income for the period				
Profit for the period	-	145,628	-	145,628
Other comprehensive income	-	50,837	-	50,837
Total comprehensive income for the period	-	196,465	-	196,465
Transactions with owners, recorded direct to equity				
Contributions by and distributions to owners	-	-	78,627	78,627
Share based payments transactions	-	478,580	(478,580)	-
Total contributions by the distributions to owners	-	478,580	(399,953)	78,627
Shares issued during the half-year, net of costs	61,305,334	-	-	61,305,334
Total transaction with owners	61,305,334	478,580	(399,953)	61,383,961
Balance at 31 December 2010	244,774,680	(163,089,727)	477,041	82,161,994
Balance at 1 July 2011	244,794,180	(162,213,932)	477,044	83,057,292
Total comprehensive income for the period				
Loss for the period	-	(10,730,702)	-	(10,730,702)
Other comprehensive income	-	(13,678)	-	(13,678)
Total comprehensive income for the period	-	(10,744,380)	-	(10,744,380)
Transactions with owners, recorded direct to equity				
Amount expensed for options issued	-	-	130,150	130,150
Total contributions by the distributions to owners	-	-	130,150	130,150
Shares issued during the half-year, net of costs	-	-	-	-
Total transaction with owners	-	-	130,150	130,150
Balance at 31 December 2011	244,794,180	(172,958,312)	607,194	72,443,062

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2011

	For the half year ended 31 Dec 2011 \$	For the half year ended 31 Dec 2010 \$
Operating activities		
Cash receipts from customers	31,854,787	26,999,284
Cash payments in the course of operations	(27,852,634)	(16,653,376)
Cash payments for withholding tax	(82,187)	(236,522)
Interest received	193,720	404,298
Interest paid	(979,617)	(2,436,344)
Net cash from operating activities	<u>3,134,069</u>	<u>8,077,340</u>
Investing activities		
Payments for property, plant and equipment	(2,080,911)	(3,929,782)
Proceeds from exploration security deposit refunds	117,613	5,223,561
Payments for the purchases of equity investments	-	(2,319,192)
Cash payments for exploration and evaluation	(10,727,298)	(8,536,146)
Cash payments for development expenditure	(9,868,807)	(8,776,184)
Net cash used in investing activities	<u>(22,559,403)</u>	<u>(18,337,743)</u>
Financing activities		
Net proceeds from issue of shares and options	-	60,700,834
Net proceeds from borrowings	18,041,695	5,025,113
Repayment of borrowings	(1,871,156)	(53,324,029)
Net cash from financing activities	<u>16,170,539</u>	<u>12,401,918</u>
Net (decrease)/increase in cash held	(3,254,795)	2,141,515
Cash at beginning of the period	6,749,292	6,728,829
Cash at the end of the period	<u>3,494,497</u>	<u>8,870,344</u>

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

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Reporting Entity

Tanami Gold NL (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities. The Consolidated Entity primarily is involved in gold mining operations and mineral exploration.

The consolidated annual financial statements of the Consolidated Entity as at and for the year ended 30 June 2011 are available upon request from the Company's registered office at Level 4, 50 Colin Street, West Perth, Western Australia 6005 or at www.tanami.com.au.

2. Statement of Compliance

These condensed consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Consolidated Entity as at and for the year ended 30 June 2011.

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

3. Going Concern Basis of Preparation

The going concern basis of preparation has been adopted.

The Consolidated Entity has generated a total comprehensive income loss for the period ended 31 December 2011 of \$10,744,380 (2010: Income of \$196,475). At 31 December 2011, it had a net working capital deficiency of \$39,878,392 (30 June 2011: deficiency of \$17,969,940).

As described below and at Note 17, the Company sold the majority of its shareholding in ABM Resources NL subsequent to the period ended 31 December 2011. As at 31 December 2011, the Company had not formalised its intention to sell its interest in ABM Resources NL, however had this occurred its shareholding of 508,014,212 shares and its 300 million options in ABM Resources NL would have been reclassified as a current asset resulting in a net working capital surplus of \$1,262,390 instead of the \$39,878,392 working capital deficiency reported above.

The Company has a loan facility (secured to the extent permitted by ASX Listing Rule 10.1) with AP Finance Limited an entity associated with Mr Lee Seng Hui, who is a Director of the Company) totalling HK\$356.7 million (approximately A\$45.2 million as at 31 December 2011) which is repayable on 30 June 2012.

Of this amount, HK\$102.5 million (approximately A\$13.0 million) was drawn down in the period ended 31 December 2011 leaving approximately HK\$20 million (approximately A\$2.5 million) in undrawn loan facilities at 31 December 2011.

Loan funds drawn down during the half-year ended 31 December 2011 were used to fund the following:

- Ongoing exploration programs at both the Western Tanami Operations and the Central Tanami Project which has increased both Mineral Resources and Ore Reserves;
- Completing mining and ore haulage at the Company's Bald Hill operations;
- Ongoing work associated with the Central Tanami Project Feasibility Study;
- Meeting the additional costs that the Company incurred associated with the fire at the Company's Western Tanami Operations in late September 2011; and
- Additional working capital.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

3. Going Concern Basis of Preparation (Cont'd)

In February 2012, the Company sold its shareholding in ABM Resources NL (being 508,014,212 shares) at 5 cents per share and converted its 300 million options in ABM Resources NL (exercisable at 1.5 cents per option) to shares. The Company then sold another 139,896,797 shares in ABM Resources NL following the conversion of its options, leaving the Company with a shareholding of 160,103,203 shares in ABM Resources NL valued at \$8,165,236 as at 8 March 2012.

The sale of the majority of the Company's shareholding in ABM Resources NL raised approximately \$32.4 million and these funds were applied as follows:

- A\$22.9 million was repaid to AP Finance Limited to reduce the Company's debt;
- A\$4.5 million was retained by the Company to exercise its 300 million options in ABM; and
- A\$5 million was retained by the Company for additional working capital.

Following the repayment of loan funds to AP Finance Limited, the Company has reduced its debt to approximately A\$22.4 million as at 8 March 2012.

Subject to the Board committing to completion of the Central Tanami Feasibility Study and additional regional exploration programs, the Company is likely to source additional funding through debt and or equity.

In the event that the Coyote operation fails to achieve anticipated production and cash flow outcomes, the Company will be required to reduce discretionary expenditure, source additional cash from debt and/or equity markets, or sell non-core assets. The Company has demonstrated historically that it can raise funds through both debt (e.g. AP Finance Limited) and equity avenues (with ongoing interest being expressed from equity market participants) and can pay its debts as and when they fall due.

Given the above, and based upon the current production forecasts from the Company's Coyote operation, 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.

4. Significant Accounting Policies

The accounting policies applied by the Consolidated Entity in these condensed consolidated interim financial statements are the same as those applied by the Consolidated Entity in its consolidated financial statements as at and for the year ended 30 June 2011.

5. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2011.

6. Dividends

There were no dividends paid or provided for during the half year and up to the date of this report.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

7. Mine Costs

Included in mine costs for the period are the following:

	31 Dec 2011	31 Dec 2010
Mine costs		
Mining	20,780,610	10,416,340
Processing	6,354,010	6,388,766
Site Administration	3,394,335	1,763,584
Depreciation and amortisation	13,548,919	8,287,699
	<u>44,077,874</u>	<u>26,856,389</u>

Mining costs for the half-year ended 31 December 2011 includes an \$8.37 million write down of low grade ore stockpiles (refer note 9).

8. Exploration and Evaluation

	31 Dec 2011	30 Jun 2011
Exploration and evaluation costs carried forward in respect of areas of interest	<u>60,006,255</u>	<u>49,482,328</u>

Reconciliation of movement during the period

Carrying amount at beginning of period	49,482,328	29,201,662
Expenditure during period	10,567,334	20,285,579
Expenditure written off	<u>(43,407)</u>	<u>(4,913)</u>
	<u>60,006,255</u>	<u>49,482,328</u>

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

9. Inventories

	31 Dec 2011	30 Jun 2011
Inventories		
Ore stockpiles at cost	4,354,651	-
Ore stockpiles at net realisable value	356,124	5,074,298
Raw materials and stores	4,171,726	3,877,686
Gold in circuit	3,026,990	2,220,718
Bullion	1,292,018	-
Other at cost	<u>13,759</u>	<u>13,759</u>
	<u>13,215,268</u>	<u>11,186,461</u>

For the half-year ended 31 December 2011, the Company wrote down \$8.37 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. Forecast mill feed will continue to focus on supplementing Coyote underground ore with other high grade stocks. This write down is included in mining costs in the condensed consolidated interim statement of comprehensive income.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. Property, Plant and Equipment

	31 Dec 2011	30 Jun 2011
Property, Plant & Equipment		
Property, plant & equipment (at cost net of depreciation and amortisation)	<u>26,830,944</u>	<u>32,521,594</u>
Reconciliation		
Carrying amount at beginning of period	32,521,594	23,378,524
Additions (i)	8,168,923	28,832,124
Disposals	-	(106,447)
Accumulated depreciation on disposals	-	74,797
Depreciation	(1,460,190)	(4,937,119)
Depreciation capitalised to exploration and evaluation asset	(310,654)	(95,061)
Amortisation	<u>(12,088,729)</u>	<u>(14,625,224)</u>
Carrying amount at end of period	<u>26,830,944</u>	<u>32,521,594</u>

Depreciation and amortisation cost for the half-year ended 31 December 2010 was \$8,626,167.

(i) Additions for the half-year ended 31 December 2011 consist of:

Buildings	-	142,599
Plant and equipment	6,450,131	6,629,905
Motor Vehicles	-	356,734
Furniture and fittings	-	400,017
Mine Development	6,121,177	19,974,363
Movement in capital works in progress	<u>(4,402,385)</u>	<u>1,328,506</u>
	<u>8,168,923</u>	<u>28,832,124</u>

11. Investment in associates

The Consolidated Entity's share of losses in its equity accounted investee for the period from 1 July 2011 to 31 December 2011 was \$330,769 (2010: \$67,094).

The Consolidated Entity's shareholding in its equity accounted investee has reduced from 20.40% as at 1 July 2011 to 19.05% as at 31 December 2011. This reduction has been caused by the placement of shares in the equity accounted investee to shareholders other than Tanami Exploration NL, the entity that owns shares and options in the equity accounted investee and a cancellation of shares. A gain of \$1,380,999 was recognised in relation to this dilution. Subsequent to the half-year ended 31 December 2011, the Company disposed of its shareholding in the investee (refer note 17).

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

11. Investment in associates (Cont'd)

Reconciliation of Investment in Equity Accounted Investee

	31 Dec 2011	30 Jun 2011
Balance at 1 July	10,039,522	7,600,758
Increase in investment due to take up of rights issue	-	2,319,192
Share of loss	(330,769)	(325,353)
Gain on dilution of shareholdings	1,380,999	346,434
Other comprehensive (loss)/income	(13,678)	98,491
Balance at 31 December 2011	11,076,074	10,039,522

12. Derivatives

	31 Dec 2011	30 Jun 2011
Non-Current Investment		
Options over ABM Resources NL shares	13,200,000	7,800,000

The values of these options were recognised initially at fair value. Subsequent to initial recognition, these options are measured at fair value and changes therein are recognised immediately in profit or loss. The fair value movement in the derivatives during the period was a gain of \$5,400,000 (2010: \$3,780,000) and is included in financial income within the condensed consolidated interim statement of comprehensive income.

13. Interest Bearing Liabilities

	31 Dec 2011	30 Jun 2011
(a) Finance Lease Liabilities		
Current: Finance Lease Liabilities	150,588	150,588
Non-Current: Finance Lease Liabilities	25,098	100,392
	175,686	250,980

(b) Loans

	Effective Interest Rate	Maturity	31 Dec 2011	30 Jun 2011
HKD 193.1 million	(i)	30-Jun-12	24,470,296	22,748,987
HKD 143.6 million	6%	30-Jun-12	18,197,486	
Balance as 31 December 2011			42,667,782	22,748,987

- (i) The HK\$193.1 million loan comprises an initial loan of HK\$152 million which had an interest rate of 8% and HK\$41.1 million at an interest rate of 6%.
- (ii) Of the HK\$143.6 million loan HK\$122.5 million was as a result of the Company increasing its loan facilities with AP Finance Limited by approximately A\$15.5 million as at 31 December 2011.

At 31 December 2011, the Company had drawn down HK\$336.7 million (approximately A\$45.2 million) under its loan facilities leaving HK\$20 million (approximately A\$2.5 million) unused. Refer to note 17 for drawdowns under the HK\$356.7 million loan agreement and repayments that have occurred subsequent to 31 December 2011.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. Interest Bearing Liabilities (Cont'd)

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.

14. Issued Capital

	31 Dec 2011	30 Jun 2011
Share Capital		
260,997,677 (2011: 260,997,677) ordinary shares, fully paid	244,794,180	244,794,180
	<u>244,794,180</u>	<u>244,794,180</u>

Share Options

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 (21 December 2016); and
- The exercise price of the options 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 (\$1.34). These options have been valued using a Black & Scholes valuation model. As these options vested immediately the fair value of \$130,150 has been recognised as an expense in profit or loss.

During the half-year ended 31 December 2011 3,333 options expired due to resignation.

15. Segment information

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

Information about reportable segments

	Gold Production		Exploration		Total	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
<i>In thousands of AUD</i>						
Revenues	31,398	26,946	-	-	31,398	26,946
Interest Income	77	84	68	132	145	216
Interest Expense	(20)	(18)	-	-	(20)	(18)
Depreciation and amortisation	(13,031)	(8,281)	(330)	(315)	(13,361)	(8,596)
Reportable segment (loss)/profit before income tax	(12,293)	470	(286)	(181)	(12,579)	289
Reportable segment assets	38,716	46,169	66,092	5,200	104,809	51,369
Capital Expenditure	8,125	28,593	44	211	8,169	28,803

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

15. Segment information (Cont'd)

Reconciliation of reportable segment revenues, profit or loss and assets

	Consolidated	
	31 Dec 2011	31 Dec 2010
Revenue		
Total revenue for reportable segments	31,398,093	26,945,850
Consolidated revenue	<u>31,398,093</u>	<u>26,945,850</u>
Profit or loss		
Total loss or profit for reportable segments	(12,579,074)	288,829
Other profit	5,378,351	2,813,388
Unallocated amounts: other corporate expenses	(4,580,209)	(3,087,596)
Share of loss of equity accounted investees	(330,769)	(67,094)
Gain on dilution of shareholding in equity accounted investees	1,380,999	198,100
Consolidated (loss)/profit before income tax	<u>(10,730,702)</u>	<u>145,628</u>
	31 Dec 2011	30 Jun 2011
Assets		
Total assets for reportable segments	104,808,799	98,118,881
Investments in equity accounted investees	11,076,074	10,039,522
Other unallocated amounts	22,559,000	18,444,560
Consolidated total assets	<u>138,443,873</u>	<u>126,602,963</u>

Major Customer

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

16. Related Parties

Transactions with key management personnel

Key management personnel received compensation in the form of short-term employee benefits, post-employment benefits and share based payment awards. Key management personnel received total compensation of \$1,072,188 for the six months ended 31 December 2011 (six months ended 31 December 2010 \$859,745).

Other related party transaction

There were no significant related party transactions other than that disclosed in note 13.

CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS

17. Subsequent Events

- (i) On 20 January 2012, the Company entered into a Memorandum of Understanding with ABM Resources NL ('ABM') to collaborate in assessing the economic potential of processing high grade gold mineralisation from ABM's 100% owned Old Pirate High Grade Gold Prospect at the Company's Western Tanami Operations processing plant. The Old Pirate Prospect is located 45 kilometres from the Coyote Gold Mine.
- (ii) On 1 February 2012, the Company granted security to AP Finance Limited (to the extent permitted by ASX Listing Rule 10.1) over its shareholding in ABM in recognition of the increased loan facilities that AP Finance Limited made available to the Company. Security was granted over 66,981,671 of the Company's 508,014,212 shares in ABM.
- (iii) On 2 February 2012, the Company increased its loan facilities with AP Finance Limited by HK\$33 million (approximately A\$4 million) to HK\$389.7 million (approximately A\$46.9 million at 2 February 2012). HK\$16.5 million (approximately A\$2 million) has been drawn down by the Company leaving HKD 16.5 million (approximately A\$ 2 million in undrawn funds).
- (iv) On 13 February 2012, the Company announced that it had entered into an agreement with APAC Resources Capital Limited to sell its shareholding in ABM (being 508,014,212) shares at 5 cents per share. In addition, the Company converted its 300 million options in ABM (exercisable at 1.5 cents per option) and sold a further 139,896,797 shares (at 5 cents per share) arising from the exercise of these options to APAC Resources Capital Limited. The gross sale proceeds of approximately \$32.4 million were applied as follows:

- A\$22.9 million was repaid to AP Finance Limited to reduce the Company's debt;
- A\$4.5 million was utilised by the Company to exercise its 300 million options in ABM; and
- A\$5 million was retained by the Company for additional working capital.

Following the repayment of loan funds to AP Finance Limited, the Company has reduced its debt to approximately A\$22.4 million as at 8 March 2012.

- (v) On 22 February 2012, the Company offered 4,950,000 options in the Company to senior employees under the Tanami Gold NL Option and Performance Rights Plan. Material terms and conditions are:
- The option term is 5 years from the date of grant;
 - The vesting conditions of the options are:
 - 50% of the options will vest 12 months after the date of grant at an exercise price of \$0.90 per option;
 - 50% of the options will vest 24 months after the date of grant at an exercise price of \$1.00 per option.

DIRECTORS' DECLARATION
For the half-year ended 31 December 2011

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

1. In the opinion of the Directors:
 - a) The financial statements and notes of Tanami Gold NL for the half-year ended 31 December 2011 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2011 and performance;
 - (ii) complying with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
 - b) As set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Mr A.G. Dew
Chairman

Perth, Western Australia
13 March 2012



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

Report on the financial report

We have reviewed the accompanying consolidated interim financial report of Tanami Gold NL, which comprises the condensed consolidated interim statement of financial position as at 31 December 2011, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Consolidated Entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Tanami Gold NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG


Grant Robinson
Partner

Perth

13 March 2012