TANAMI GOLD NL

RESEARCH NOTE

Australia's Next Mid-Tier Gold Producer

Site Visit Update

Last week, we conducted a site visit with Tanami's (TAM) new COO Don Harper to the Western Tanami Operation (WTO) and Central Tanami Project (CTP). We continue to believe the future is bright for TAM with both projects highly prospective to: 1) extend the existing resources and 2) find new gold deposits. TAM is currently working on a feasibility study due by the end of CY2011, which takes into consideration a number of production options to increase production to >150kozpa in the medium term. The feasibility will include recommissioning the CTP plant and expansion of WTO to 0.5Mtpa. With CTP accounting for 75% of the company's 2.3Moz Au resource, its development will feature heavily as part of TAM's plans. In conjunction with the feasibility study, the company is also reviewing the WTO mining operation with the aim of increasing production and lowering overall costs. We believe TAM has good potential to become Australia's next mid-tier gold producer. Therefore, we maintain our BUY rating and $1.79/sh target.

- **Feasibility due by end-CY2011:** Management has indicated the feasibility study should be completed by October for consideration by the Board which will provide clear insight into the way forward at both the CTP and WTO. The options include staged approaches with a combination of 1) restart of the CTP plant 2) WTO expansion to 500ktpa and 3) new mining method at WTO. Development of the CTP project is pivotal to the company delivering as a >150kozpa gold producer.
- **Potential to add quick ounces:** While on our site visit we saw several open pits at CTP with potential to add quick higher grade ounces. These area include: Groundrush, Carbine, Southern and Crusade. At WTO Coyote, Kookaburra and Sandpiper are all underexplored with good resource growth potential.
- **Stock undervalued:** Based on our all of our valuation metrics**,** TAM is attractive. Our 1.0x NAV of $1.79 is based on our sum of the parts valuation. On a P/CF (13)/(14) basis we determine a value range of between $1.48-$1.74 per share and on an EV/oz basis TAM is trading at $105/oz compared to the peer average of $171/oz.
- **Catalysts:** 1) Ongoing exploration results 2) end-CY2011 Feasibility 3) mid-2012 CTP restart

Year End June 30	2010A	2011F	2012F	2013F	2014F
Reported NPAT ($m)	(8.3)	7.3	10.9	65.8	148.9
Recurrent NPAT ($m)	(8.3)	7.3	10.9	65.8	148.9
Recurrent EPS (cents)	(0.2)	2.8	3.3	20.3	45.9
EPS Growth (%)	na	na	19.5	506.3	126.2
PER (x)	(379.3)	31.9	26.7	4.4	1.9
EBITDA ($m)	1.8	25.9	28.3	102.2	186.9
EV/EBITDA (x)	1,822.4	9.3	10.7	2.4	0.5
Capex ($m)	0.0	8.7	73.3	22.1	11.1
Free Cashflow	5.6	45.2	(54.0)	57.8	156.9
FCFPS (cents)	0.2	17.3	(16.7)	17.8	48.4
PFCF (x)	568.4	5.2	(5.4)	5.0	1.8
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	100.0	100.0	100.0	100.0	100.0

30 June 2011

12mth Rating		**BUY**
Price	A$	0.90
Target Price	A$	1.79
12m Total Return	%	99.9
RIC: **TAM.AX**		BBG: **TAM AU**
Shares o/s	m	261.0
Free Float	%	65.9
Market Cap.	A$m	233.6
Net Debt (Cash)	A$m	10.2
Net Debt/Equity	%	34.9
3m Av. D. T'over	A$m	0.25
52wk High/Low	A$	1.20/0.54
2yr adj. beta		1.46

Valuation:

Methodology		DCF (1.0x)
Value per share	A$	1.79

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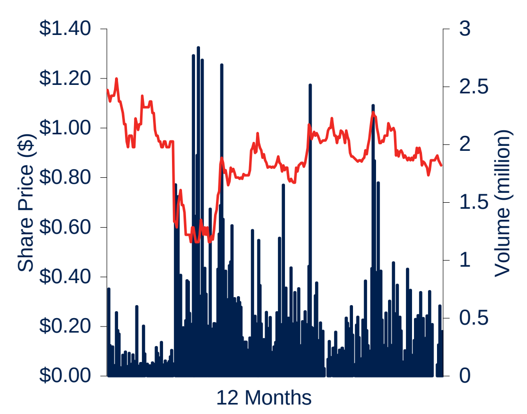
12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	0.0	-4.8	51.2
Rel. S&P/ASX 300	1.0	-10.0	53.0

Investment Thesis

The nature of TAM's operation is broadly separated into two general areas, namely the Western Tanami Operation (WTO) in north-eastern Western Australia and the Central Tanami Project (CTP) in north western Northern Territory, the projects are approximately 90km apart. TAM's production focus has been on its WTO where it expects to produce 40koz Au in FY2011, increasing to 50koz in FY2012. The company is currently investigating via feasibility study the potential for further expansions which could see combined production from the CTP and WTP increased to >150kozpa. The one thing that was a key takeaway from our site visit was the prospective nature of TAM's ground.

Figure 1: Project snapshot

	Western Tanami Operations (100%)	Central Tanami Project (100%)
Resources	3,119,000t @ 5.5g/t for 554,700oz[1]	20,915,000t @ 2.6g/t for 1,747,000oz[2]
Resource Class	65% Measured and Indicated	75% Measured and Indicated
Operations	Open pit and underground operations	Proposed open pit & underground operations
Treatment Capacity	0.35Mtpa	Proposed treatment capacity 1.5Mtpa
Production	- Current production 40,000ozpa - Proposed production 50,000-70,000ozpa	Production target 130-200,000ozpa

Source: Company Reports

Feasibility Study to Consider All Options

It became apparent on our site visit that TAM is considering both the WTO and CTP as one project in its feasibility study. There are three main options under consideration to move TAM to Australia's next mid-tier gold producer. We believe a combination of each of these could make sense for TAM to significantly increase production with trade-off studies underway.

Option 1: Restart the CTP plant

The CTP accounts for 75% of TAM's 2.3Moz resource and ramp up of the CTP is the major catalyst in TAM's push to increase production to >150koz Au by FY2013. This is the main option that has been considered by TAM and includes the refurbishment of the existing 1.5Mtpa plant (Figure 2). However, the CTP plant refurbishment is no small undertaking. Original construction of the plant began in 1985 by a Japanese contractor and operated thereafter until August 2005. Dormant until now, TAM management have indicated that bringing the plant into production will cost $20m +/- 20% and could take around 6 months to complete. Major costs involved in the rebuild are crushing and gravity circuits, leach tanks and re-establishing the electrical circuitry and piping. Historical overall recoveries have been >90% with gravity recoveries accounting for 30-50%. The company believes that by introducing additional Knelson concentrators, which work particularly well for coarse gold deposits, gravity recoveries can be significantly improved thus potentially improving overall recoveries.

Figure 2: CTP Plant under consideration for refurbishment

Source: Patersons Research

Option 2: WTO mill capacity increased to 500ktpa

A short term option being considered by TAM is to increase the WTO mill capacity to 500ktpa (from 375ktpa) and truck exposed high grade open pit ore from CTP to WTO for processing. This would provide upfront cash flows which could be used to help fund the restart of the CTP. Capital cost to access this ore would be extremely low and the trucking distance ranges from 60km to 100km from the WTO.

Option 3: New mining method at WTO

TAM is considering using a modified mining method at Coyote which could see a reduction in dilution and thus higher grades to the plant. The method will split fire drive faces, mining waste and ore alternatively with waste to be used as back-fill underground and ore bought to the surface. This would free up more milling capacity for open pit ore, therefore increasing overall gold production whilst lowering milling cost by up to 10-20%.

Based on options 2 and 3 the processing of Coyote and CTP ore could be extremely profitable for TAM. Subsequent profits from such a strategy could be used to supplement the restart of the CTP mill and fund exploration activities to delineate additional resources. However, we believe TAM will likely need a substantial cash injection to allow it to reach its target of >150kozpa producer within 2 years.

Tanami's Ground Highly Prospective

From our site visit the one thing that really stood out was the prospectively of TAM's ground. We discuss the below for CTP and WTO and the potential sources of ore for each operation.

Central Tanami Project

In Figure 3, we identify the potential start-up opportunities at CTP. We visited several of the pits (Groundrush, Carbine, Southern, Jim's) which all have 20-30m of +4g/t Au open pit ore at the bottom of the pit which has the potential to provide about 75koz of upfront feed. This could be used to kick start operations either through the WTO plant or through the CTP plant. Following the recovery of this ore TAM would likely go underground using selective mining to achieve a sustainable grade of 6-8g/t Au to be blended with the open pit opportunities. TAM estimates that underground gold mining could commence by the end of CY2011. At Groundrush, one idea TAM is looking at it is to establish dual portals at the northern and southern extents of the pit which could provide flexibility for production and a second means of egress.

Figure 3: Project pipeline at the Central Tanami Project

STATUS	UNDERGROUND	OPEN PIT
Start-up Opportunities	Groundrush (Potential upside 200-500koz) Carbine (Potential upside 100-200koz)	Southern (Potential upside 70koz) Crusade (Potential upside 70koz) Jims's Main (Potential upside 18koz)
Resource/Prospects	Hurricane Beaver	Lynx Bulldog Phoenix Tom Baller Gatling
Exploration Targets		Redback Rise Mollech Jim's South Thrasher Dinki Splinter

Source: Patersons Research

One of the most prospective opportunities on the CTP package is the Groundrush deposit (Figure 4) which has a historical production record of >600koz Au at an average grade of 4.5g/t. Groundrush has a current resource of approximately 200koz, with recent drilling delineating a wide high grade zone of mineralisation we expect to see significant increases in the resource by the end of CY2011. Recent results have confirmed high grade extensions to mineralisation at depth, below the bottom of the historic pit and along strike. Little drilling has been done at depth with former owners Newmont (NEM) only drilling 12 holes, all of which intersected mineralisation. The corporate focus for NEM shifted to pursing the Callie deposit and no further exploration has taken until the recent campaign by TAM.

Carbine, Hurricane-Repulse, Southern, Crusade, Jims Main and Beaver all remain primary targets on the CTP landholding. Of these, the Carbine deposit is well advanced with an underground mine plan estimating 100-200koz Au at 5.5g/t is available. Current drilling within the main ore zore should give rise to further resource upgrades in the near term and the deposit remains open at depth and along strike. A geotechnical investigation is underway to establish an appropriate position for the portal.

The Hurricane-Repulse deposit has the second largest production history of ~250koz Au and is located adjacent to the existing CTP processing facility. TAM is currently investigating the open cut and underground potential of this pit, as its proximity to existing infrastructure makes it an attractive economic option.

Figure 4: Groundrush Pit

Source: Patersons Research

WTO: Upside potential to increase production

The 100% owned WTO is located in north eastern Western Australia and has been in production since 2007. The WTO struggled during 2007-09 due to issues with mining, design of the processing plant and sourcing quality staff at the peak of the resources boom. Subsequently TAM has gone through Board and management changes, removal of the on-site contractors and improvements to the processing plant.

In April 2011, TAM successfully completed its Stage I expansion of the WTO mill to 375ktpa (from 250ktpa) on time and within budget. TAM is currently examining the feasibility of a a further expansion to 500ktpa. A management decision and clarity on costing is expected shortly with initial indications highlighting that the expansion could reduce milling costs by as much as 10-20%.

Currently the WTO is a high cost project (~$850/oz) due to the narrow high grade nature of the underground ore body and the relatively high strip ratio of the open pits. We expect to see a decrease in cash costs on the back of improved productivity from the underground operation and higher grades/lower strip ratio for the remainder of the open pit mine life. The WTO is expected to produce 40kozpa in FY2011, increasing to 50kozpa in FY2012 and potentially increasing to 70kozpa thereafter if satellite deposits from the CTP are processed.

Currently the Kookaburra and Sandpiper open pits are the primary ore source for the WTO mill, accounting for roughly 75% of the feed. These pits typically average around ~3g/t with management indicating that the next couple of months should see an improvement on grade to ~4g/t as they mine through a higher grade section. Given the finite life of these pits TAM is investigating the potential of underground development in an effort to extend mine life. Drilling has indicated that ore tends to become more refractory at depths beyond 120m and TAM has begun metallurgical work to explore various extraction methods that will maximise recoveries.

Figure 5: Project pipeline at the Western Tanami Project

STATUS	UNDERGROUND	OPEN PIT
Production	Coyote	Kookaburra Kookaburra - low grade Sandpiper
Resource/Prospects	Sandpiper	Koku Albatross
Exploration Targets		Hutches Roadrunner

Source: Patersons Research

The Coyote underground mine accounts for the remaining 25% feed for the WTO mill. This is a high grade deposit with a resource of 880kt at 11g/t for 312koz Au. Despite the impressive inventory, the Coyote deposit remains underexplored with systematic drilling required to further delineate mineralisation. TAM drilled a deep hole early in the year to test for extensions to gold mineralisation at depth and for the interpreted Stubbins geology (similar to Callie) at approximately 800-1200m. The hole intersected high grade gold mineralisation 150m below existing workings and intersected the Stubbins formation at around 1000m below surface. A number of wedge holes are being planned to further delineate mineralisation at depth and along the Stubbins formation contact.

Figure 6: Western Tanami Operation Plant

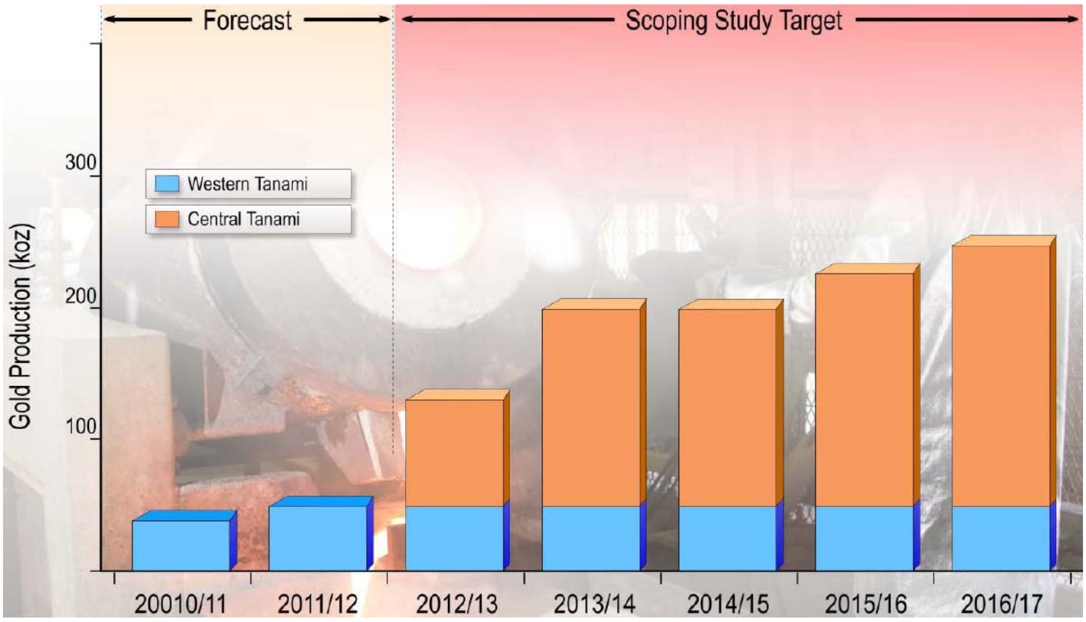
Source: Patersons Research

Production Profile

In order to reach TAM's target of >150kozpa Au it will need both the WTO and the CTP. A key feature for the CTP processing facility to run at full capacity is supplying a balance of underground and open pit ore. Respective ore types have blending properties that will not only maximise gold recoveries but also accelerate through-put of the plant by balancing harder and softer ore types. TAM also has at its disposal a number of low grade stockpiles (circa 1g/t) which can be utilised for commissioning and top up of ore if required. With a rich history of mining in the area the metallurgy is well understood which de-risks the project significantly.

Figure 7 demonstrates that utilising the 1.5Mtpa capacity of the CTP plant is the key to TAM becoming a mid-tier gold producer. The feasibility study is currently underway examining a number of options as discussed previously. Clarity on funding for the development of the CTP processing facility is still uncertain, however, there are clearly several options available including: 1) additional debt funding 2) capital raising 3) expanding WTO to 500ktpa and using cashflows to fund. TAM's last reported cash position was $6.1m and its debt position is $15.8m.

Figure 7: Possible ramp up scenario



Source: Tanami Gold

Valuation

We retain our BUY rating on Tanami Gold NL with a 12-month target price of $1.79 per share. (Figure 8) Our price target is based on our sum-of-parts NAV-based DCF model for Tanami's WTO and CTP. We have also included some potential exploration upside considering the prospective nature of the tenements.

Net Asset Valuation

As expected our analysis suggests that the majority of TAM's value is in its WTO and CTP projects. This is partly due to our gold price forecasts which are higher upfront giving the WTO a higher value for its near-term production. At this stage we are using TAM's base case scenario which is starting the CTP mill in mid-2012, however, we note there are a number of different scenarios which are under consideration in the feasibility study which is expected to be competed by the end of the year. We estimate capital costs of $50m for the refurbishment of the existing plant and initial development costs. We have assumed that TAM will need to raise $50m in equity (we have assumed a price of $0.80 per share). Cash costs are estimated to average approximately $650/oz with total costs at $700/oz. Based on CTP's current inventory of 1.5Moz we calculate a mine life of 13 years based on the 1.5Mtpa throughput.

TAM owns 25% of ABM Resources which represents approximately 3% of our valuation. There are potential synergies with ABM, having a resource of 1.6Moz with deposits in close proximity to the WTO. We believe TAM has excellent exploration upside from the limited drilling that has been conducted in the area and as such we calculate an exploration value of $50.3m which is a nominal 10% of CTP and WTO.

Figure 8: NAV Table

Valuation	A$m	A$/sh
Western Tanami	80.2	0.25
Central Tanami	413.4	1.28
Unpaid Capital	47.5	0.15
ABM Resources	18.8	0.06
Exploration	50.3	0.16
Corporate	(20.1)	(0.06)
Forwards	0.0	0.00
Cash	5.6	0.02
Debt	(15.8)	(0.05)
NPV	**579.8**	**1.79**
(@ 8% discount rate)		

Source: Patersons Research

CFPS Multiple Target

We have also calculated a CFPS multiple target price based on the peer average gold company multiple of 10x based on FY2012. Based on our analysis the peer average for gold small gold stocks trades at 9.6x CF in FY2013, and 4.7x CF in FY2014. Based on this we calculate that the stock should be trading between $1.48 and $1.74/sh which is consistent with our 1.0x NAV of $1.79/sh. (Figure 9)

Figure 9: Peer comps CFPS average

	Cash Flow Multiple	
	2013	**2014**
Average peer cash flow multiple	9.7	4.5
Discount rate	8%	8%
Discounted multiple to March 2011	8.3	3.6
Patersons' forecast cash flow per share for TAM	0.18	0.48
Target Price	1.48	1.74

Source: Patersons Research

Risks

We believe the risks for TAM are relatively low considering that the CTP processing facility treated ore from some 43 pits between 1987 to 2005. Therefore, this reduces construction, engineering, permitting and metallurgical risks. In addition, the Tanami Operations are likely to perform increasingly better due to the work done on the processing plant. The main risks for TAM relate to: 1) Securing adequate cash to underpin the expansion of mining operations, 2) Exploration 3) Developmental hurdles 4) Commodity and 5) Foreign Exchange.

Financial: With significant capital outlay assigned for exploration and development activities in 2011 TAM may need to access markets for finance. There can be no assurances that this capital will be available at a reasonable cost which could see dilution issues in the future.

Exploration: Operating in such a historically rich province, TAM is faced with the difficult problem of translating mass information into meaningful and strategic exploration targets. The nature of the mineralisation tends to be quite widespread in isolated pockets which could pose problems in cost efficient resource targeting and conversion.

Cutback mining: Hurricane-Repulse's close proximity to the existing plant and a rich history looks to be a logical cutback option to re-establish mining. Initial drilling has supported the continuation of mineralisation at depth. Given the length of the pit is 1.3km the development of the cutback would have to be staged to ensure it coincides with the commissioning of the processing facility in mid 2012. The negative aspect of this option is that stripping ratios will be very high in the developmental stages which will drive up operational costs/oz.

Scheduling: With such an extensive resource and exploration inventory TAM is faced with scheduling dilemmas in terms of prioritising exploration programs as well as ensuring an ongoing ore supply for the mill. The balance between open cut and underground ore sources will also have to be factored in to maximise the productivity of the mill.

Leverage to gold price: Given that TAM is unhedged it is highly leveraged to the gold price. For example a 10% increase in the gold price has a 17% increase to our 1.0x NAV. TAM's production opportunities are likely to be in the third quartile of the cash cost curve, however, based on the current spot price of gold TAM has a significant margin from our cash cost projections ($700/oz).

Conclusion

TAM has significant exposure to an underexplored gold province with a significant inventory of 2.3Moz Au. The company is targeting production >150,000oz Au by FY2013. TAM is investigating a number of different options to reach its production target these include a combination of 1) restarting the CTP mill 2) expanding the WTO mill and 3) utilising a new mining techniques at WTO. The feasibility is expected to be completed by the end of October and will go to the Board for approval shortly thereafter. We continue to believe TAM is significantly undervalued based on 1) our valuation of $1.79 2) CFPS multiple and the 3) EV/oz resource. Therefore, we maintain our buy recommendation on TAM with a $1.79/sh price target.

Tanami Gold NL $0.895

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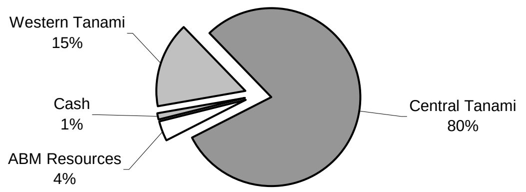
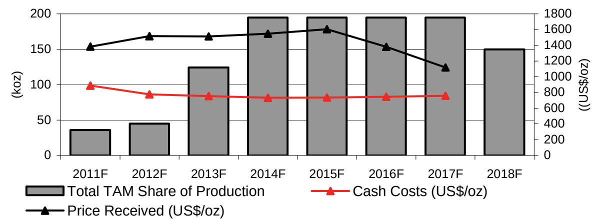
Central Tanami	413.4	1.28
Unpaid Capital	47.5	0.15
ABM Resources	18.8	0.06
Exploration	50.3	0.16
Corporate	(20.1)	(0.06)
Forwards	0.0	0.00
Cash	5.6	0.02
Debt	(15.8)	(0.05)
NPV	**579.8**	**1.79**
(@ 8% discount rate)		

Valuation Summary of Operating Assets



Gold Production Summary



Reserves & Resources

Reserves	**Mt**	**Au g/t**	**Au koz**
MLS153 (Central Tanami)	0.4	2.4	27.5
MLS167 (Central Tanami)	0.5	5.5	83.4
MLSA172 (Central Tanami)	0.8	2.3	62.0
ML22934 (Central Tanami)	0.4	4.2	48.4
Stockpiles (Central Tanami)	1.7	0.9	48.0
Coyote (Western Tanami)	0.3	9.0	90.9
Sandpiper (Western Tanami)	0.1	2.9	5.0
Kookaburra (Western Tanami)	0.4	2.8	37.0
Total	**4.5**	**2.8**	**402**

Resources M&I	**Mt**	**Au g/t**	**Au koz**
MLS153 (Central Tanami)	4.9	2.3	365
MLS167 (Central Tanami)	7.4	3.1	728
MLS168 (Central Tanami)	2.3	1.8	133
MLS180 (Central Tanami)	1.7	2.8	151
MLSA172 (Central Tanami)	1.4	2.6	119
ML22934 (Central Tanami)	1.5	4.1	203
Stockpiles (Central Tanami)	1.7	0.9	48
Coyote (Western Tanami)	0.9	11.0	312
Sandpiper (Western Tanami)	1.1	4.2	153
Kookaburra (Western Tanami)	0.9	2.5	75
Pebbles	0.1	2.5	6
Stockpiles (Western Tanami)	0.1	2.4	8
Total	**24.0**	**3.0**	**2,301**

Directors

Name	**Position**
Mr Denis Waddell	Non-Executive Chairman
Mr Graeme Sloan	Managing Director
Mr Alan Senior	Non-Executive Director
Mr Lee Seng Hui	Non-Executive Director

Substantial Shareholders	**%**

Year End June 30

Commodity Assumptions	**2010A**	**2011F**	**2012F**	**2013F**	**2014F**
A$:US$	0.89	0.99	1.02	0.98	0.93
Gold (US$/oz)	1093	1368	1516	1511	1548
Silver (US$/lb)	17.28	28.82	37.51	42.05	42.38
Gold (A$/oz)	1222	1383	1482	1549	1665

Target Price Sensitivity	**-10%**	**0%**	**+10%**	**Change**
FX (A$:US$)	2.17	1.79	1.47	-18%
Gold Price	1.44	1.79	2.14	19%
Gold Grade	1.79	1.79	1.79	0%
Operating Costs	1.91	1.79	1.67	-7%
Recovery	1.57	1.79	2.01	12%

Production Summary	**2010A**	**2011F**	**2012F**	**2013F**	**2014F**
Production (koz)					
Western Tanami	48	40	50	50	50
Central Tanami	0	0	0	79	150
Total TAM Share of Production	**43**	**36**	**45**	**124**	**195**
Cost Summary					
Cash Costs (US$/oz)	697	887	776	754	734
Total Costs (US$/oz)	727	1022	1006	975	948
Price Received (US$/oz)	1,197	1,383	1,516	1,512	1,548

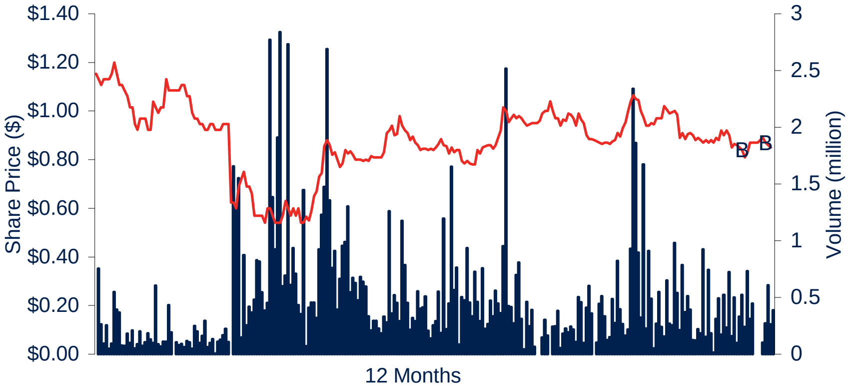
Profit & Loss (A$m)	**2010A**	**2011F**	**2012F**	**2013F**	**2014F**
Sales Revenue	**57.1**	**63.9**	**66.4**	**194.4**	**324.1**
Other Income	0.3	3.0	2.3	1.5	7.0
Operating Costs	41.0	35.4	35.6	88.7	139.2
Exploration Exp.	10.7	0.8	0.0	0.0	0.0
Corporate/Admin	3.9	4.7	4.8	4.9	5.0
EBITDA	**1.8**	**25.9**	**28.3**	**102.2**	**186.9**
Depn & Amort	4.2	11.8	8.4	14.1	19.1
EBIT	**(2.4)**	**14.2**	**19.9**	**88.2**	**167.8**
Interest	5.9	2.0	2.4	2.4	2.4
Abnormals (pre-tax)	0	0	0	0	0
Operating Profit	**(8.3)**	**12.2**	**17.5**	**85.8**	**165.5**
Tax expense	0.0	4.9	6.7	20.0	16.6
Abnormals (post-tax)	0.0	0.0	0.0	0.0	0.0
NPAT	**(8.3)**	**7.3**	**10.9**	**65.8**	**148.9**
Normalised NPAT	**0.4**	**8.1**	**10.9**	**65.8**	**148.9**

Cash Flow (A$m)	**2010A**	**2011F**	**2012F**	**2013F**	**2014F**
Adjusted Net Profit	0.4	0.7	10.9	65.8	148.9
+ Interest/Tax/Expl Exp	0.0	2.1	9.0	22.3	18.9
- Interest/Tax/Expl Inc	0.0	5.4	9.0	22.3	18.9
+ Depn/Amort	4.2	11.8	8.4	14.1	19.1
+/- Other	0.0	0.0	0.0	0.0	0.0
Operating Cashflow	**4.6**	**9.2**	**19.3**	**79.9**	**168.0**
- Capex (+asset sales)	0.0	8.7	73.3	22.1	11.1
- Working Capital Increase	(0.9)	(44.6)	0.0	0.0	0.0
Free Cashflow	**5.6**	**45.2**	**(54.0)**	**57.8**	**156.9**
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.0	45.0	0.0	0.0
+ Debt drawdown (repaid)	0.0	(39.4)	14.7	0.0	0.0
Net Change in Cash	**5.6**	**1.3**	**10.7**	**57.8**	**156.9**
Cash at End Period	6.7	8.1	18.8	76.6	233.5
Net Cash/(LT Debt)	(48.5)	(7.7)	(11.7)	46.1	203.0

Balance Sheet (A$m)	**2010A**	**2011F**	**2012F**	**2013F**	**2014F**
Cash/Bullion	6.7	8.1	18.8	76.6	233.5
Total Assets	89.0	78.8	154.4	220.2	369.1
Total Debt	55.2	15.8	30.5	30.5	30.5
Total Liabilities	68.4	49.5	66.7	66.7	66.7
Shareholders Funds	20.6	29.3	87.7	153.5	302.4

Ratios					
Net Debt/Equity (%)	235.7	26.4	13.4	na	na
Interest Cover (x)	na	7.2	8.4	37.2	70.8
Return on Equity (%)	na	25.0	12.4	42.9	49.2

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
18 Apr 11	Research Note	1.53	0.84	B	
29 Apr 11	Event Impact Email	1.49	0.88	B	4.8%
17 May 11	Resources Review	1.81	0.83	B	-5.7%
08 Jun 11	Event Impact Email	1.81	0.81	SB	-2.4%
16 Jun 11	Event Impact Email	1.81	0.84	B	3.7%
21 Jun 11	Gold Report	1.85	0.83	B	-1.2%
	Current Share Price		0.85		2.4%

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

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