

28 September 2012

## **ANNOUNCEMENT BY NEW TALISMAN GOLD MINES LIMITED (NTL)**

### **FOR IMMEDIATE RELEASE**

#### **Chairman's Address 2012 Annual Meeting**

The directors' report for the year to 31 March 2012 was circulated with the Annual Report and I would like to draw out some of the highlights of the year under review.

#### **New Talisman re-branding**

In March 2012 we announced the intention to emphasise the shift in the company's strategic direction from explorer to producer by re-branding. As part of that re-branding exercise exploration activities have been moved to wholly owned subsidiaries to signal the new focus on the development of a producing mine at Talisman and removal of distractions for the parent company.

The company has refreshed the board with Ian Pringle appointed as an independent director and most recently Matt Hill appointed as executive director. The appointments committee is presently considering several candidates for appointment to the board. We are seeking to match candidates with the skills required for the next stage of the company's development.

#### **The New Talisman Gold Project**

During the course of the year we announced the results of the scoping study on the Talisman project. The scoping study demonstrated a robust project at the then current gold price. The study indicated that the New Talisman Project will have lower than normal capital costs, because of its small scale, and lower than average operating costs, because of the high resource grade available. The study also indentified further areas for investigation to improve the project economics.

The fundamentals of the project are very favourable. Compared to many other planned gold projects around the world, we have excellent infrastructure with easy access to good roads, ports, power and services, and well educated and skilled workers. In the current economic environment much lower input costs in terms of materials, labour, and contracting services may also be possible, at a time when the gold price appears to be firming (which I will touch on further below).

#### **Pre-feasibility study update**

Following on from the scoping study, the company has identified several new alternative development options. These new development options are driven by emerging technology and mining systems – new slimmed down mining equipment, advanced mine transportation systems, new routes for ore treatment and processing, a radical new approach to mine residue disposal in worked out mine voids. Overall a smaller operating footprint, less material moved for each ounce of gold and lower environmental impacts. With projected improvements in operating costs and a firming gold price this indicates a more robust project across a wide range of capital, labour and operating cost assumptions.

A sound approach with many positive financial and social features from much reduced capital outlays by targeting higher grade ore in the early stages of mining, to improved environmental outcomes.

Regrettably our mining engineer who introduced many of these innovations has decided to move on. We have his services for another 2 months and we are working as hard as possible to move the pre-feasibility study to completion in March 2013. This step will be followed by a full feasibility study later in 2013, which is expected to lead to mining in 2014.

### **External Context**

It's tough out there in the world economy and tougher in the global mineral industry. The boom days in the iron ore and coal industries have come to a sudden and painful end. Huge inventories of both raw and finished products sit as deadweight on future price expectations. Billions of dollars of capital investment have been cancelled in mineral expansion programmes that were intended to support China's endless demand for new infrastructure and housing.

The cold reality of the mineral sector has hit home here in NZ with Solid Energy taking a write-down on its balance sheet for impairment of some assets, the closure of all of its underground mining operations and significant job losses.

The NZ aluminium industry also has the threat of closure hanging over the Tiwai Point smelter. Just this week the world's second largest gold producer, Newmont announced urgent reductions in staff and contractors at its Waihi gold operations plus reduced exploration expenditure, to improve its financial performance.

### **Capital Raising**

Against that gloomy external contextual backdrop I want to address the company's future prospects. The share purchase plan launched in April raised a gross amount of NZ\$306,000. I want to thank those shareholders who supported us through that exercise. Modest though the proceeds of that exercise were they were nevertheless sufficient to see us through the bottom of the market.

On the 29th of August we announced a one for three renounceable rights issue to shareholders at Australian 1.0 cent/New Zealand 1.3 cents per share. Every new share issued will have an option with an exercise price attached of Australian 2.0 cents and will expire 5 years from the date of issue. Today I am pleased to announce that we have signed an underwriting mandate with Canaccord Genuity in Australia. Further details will be announced shortly. This is a very encouraging development and demonstrates external confidence in the project and the company.

Funds from the coming rights issue will be used to advance the Talisman project through prefeasibility, including a project development study to include mining and processing options, safety and environmental requirements; and to fund general working capital.

### **Rahu**

The Rahu exploration permit has been extended for another two years to enable deeper drilling to test the potential for higher grade feeder veins.

The permit has extensive disseminated mineralisation close to the surface, and is along strike from the Talisman mine. It should provide valuable additional ounces to the Talisman Project in the medium to long term.

### **Broken Hill Prospecting Limited**

BHPL's two drilling programs during the past year at Thackaringa located new cobalt deposits, adding to those known at Pyrite Hill and Big Hill. The NE Big Hill, Offset and Railway cobalt deposits are all outcropping mineralised zones that extend for more than five kilometres.

Total Inferred Mineral Resources now stand at 35.7 million tonnes of mineralisation with an average cobalt content of 1.85 pounds per tonne. The company's resource consultants estimate there is potential for another 37 to 59 million tonnes of similar grade close to the drilled areas.

In less than 18 months BHPL has expanded the contained cobalt of the project in JORC Inferred Mineral Resources from 32 million pounds to 66 million pounds and the upside is excellent.

A scoping study is underway for a large open cut mine to produce a concentrate with about 0.5% cobalt content and sulphuric acid. The study will establish production parameters to assess whether concentrate could be sold to other industry groups for further processing or whether cobalt recovery can be undertaken by BHPL.

Additionally, high zinc values discovered in recent drilling at the Railway prospect will be tested by further deep drilling. Zinc has historically been produced in significant quantities at Broken Hill, where it is still being mined.

### **The Future Outlook**

To finish on a bright note I would like to quote some forecast prices for gold in the next year or two. At the time of our AGM last year gold was at NZ\$1,957. Today it is sitting at NZ\$2,122 even with the stronger NZ Dollar.

Citigroup technical analyst Tom Fitzpatrick wrote earlier this week that "we need to get to US\$3,400 per ounce just to replicate the equivalent price seen in the 70's. We don't see that at the end of the day as a particularly aggressive call"

According to Bloomberg the US financial news service the Newmont Mining CEO Richard O'Brien is forecasting US\$2500 per ounce. O'Brien has a particularly interesting view of gold as a currency rather than a commodity. He notes that no one can borrow against gold and no one can issue more of it. It's the one currency people can rely on to have value.

J Murray McKee  
Acting Chair  
New Talisman Gold Mines Ltd

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### **About New Talisman Gold Mines Ltd**

New Talisman Gold is a dual listed (NZSX & ASX: NTL) with 1800 shareholders who are mainly from Australia and New Zealand. It is a leading New Zealand minerals development and exploration company with a portfolio of high quality mineral interests. Its gold properties near Paeroa in the Hauraki District of New Zealand are a granted mining permit, including a JORC compliant mineral resource within the original Talisman underground mine, and an adjacent exploration permit along strike from the mine. The company is now advancing its plans to develop the mine, and advance the exploration project.

Through a subsidiary company, New Talisman Gold owns 21.7% of Broken Hill Prospecting Limited (Asx: BPL), which is planning to develop a cobalt project at Thackaringa, about 25 kilometres south-west of Broken Hill in Australia. BPL is listed on both the ASX and NZSX (Code: BPL).

More about New Talisman Gold at [www.newtalismangold.co.nz](http://www.newtalismangold.co.nz)