

19 September 2013

ANNOUNCEMENT BY NEW TALISMAN GOLD MINES LIMITED (NTL, NTLOA or NTLO)

FOR IMMEDIATE RELEASE

CHAIRMAN'S ADDRESS

ANNUAL MEETING 19 SEPTEMBER 2013

Introduction

The director's report for the year to 31 March 2013 was circulated with the Annual Report. Before I ask you to formally receive the Annual Report together with the Financial Statements and the report of the Auditors I will speak to several of the issues raised in the report. I also want to use this opportunity to provide a little more background to the resolutions contained in the notice of meeting that will be put to the vote later in the meeting.

The External Environment

At the conclusion of my address to shareholders last year I made reference to some bullish predictions for the price of gold. The predictions were from reputable analysts and chief executives with international banks and major gold mining companies and were representative of many other forecasts being bandied about at the time. The particular forecasts to which I referred ranged from US\$2,500 per ounce to US\$3,400 per ounce over the next two years. The rationale behind those forecasts was the extraordinary quantitative easing programmes, more colloquially described as money printing, being undertaken in the United States and Europe at the time. The argument went something like this: You can print as much money as you like but you can't print any more gold. Gold is the one constant store of wealth and accordingly it has to go up in price relative to the increased amount of money in circulation. A pretty compelling argument I thought. On the day of last year's AGM, the 28th of September, gold was quoted in New York at US\$1750 an ounce. A week later on October the 4th it hit \$1790 an ounce. So far, so good.

But how times have changed, in mid to late June this year you could have bought one of those very same ounces of gold in New York for just US\$1,200.80 per ounce. Since then the market has slowly strengthened again and has been as high as US\$1,420 per ounce and currently holds at US\$1,363. I will ask Executive Director Matt Hill to expand on this issue and its effects across the listed gold company sector after the formal part of the meeting.

The point I want to make is that that period of extraordinary volatility in the price of gold has had a salutary effect on the way your directors have thought about the development of the Talisman gold mine. With gold trading at US\$1,200 per ounce and bearish forecasts suggesting \$1,100 or even \$1,000 per ounce we took a second hard look at the financials in the pre-feasibility study we released to the market in March. It is fair to say that we came out of that review with a renewed sense of confidence in the project and its resilience across a wide range of price scenarios. We made the decision to progress the development of Talisman mine while other juniors and senior gold companies were cutting back and pausing the development of major projects.

For reasons that Wayne Chowles our Principal Mining Engineer will explain more fully in his presentation after the formal session is concluded, the very high grades contained in some of the seams in Talisman

present an opportunity to mix and match ore grades and production rates to the price of gold in the market and still generate an attractive rate of return.

I am not suggesting that the Talisman project is insensitive to the price of gold. Of course price is a key sensitivity but the unique features of the reserves at Talisman afford us the ability to ride out troughs in the price cycle, albeit at lower production levels. Key to this is the flexibility we have in changing which faces of ore we move to. Whilst we have a preferred sequence of targets we have the ability to focus on the high grade ore face to ensure cash flows should the price of gold decline significantly.

Capital Raising

I also want to make the point that the recent volatility in the price of gold has played a very significant role in the timing of our capital raising programme. In the period to 31 March 2013 we successfully raised A\$1.5 million to fund the Talisman mine prefeasibility study and working capital through a rights issue that was fully underwritten by Cannacord Genuity. That was against the background of the more bullish outlook for gold I referred to at the start of this address. As noted in the Annual Report the prefeasibility study was completed on time and under budget in March this year.

Post balance date we raised, by way of a placement to sophisticated investors, a further A\$543,000 to fund the due diligence exercise on the Mpokoto heap leach project in the Congo and for general working capital. That capital was raised against the background of a declining gold price and fell somewhat short of our expectations. The decline in the price of gold inevitably influenced our view of the Mpokoto project. At this time we retain a 12.5% shareholding in Netcom, the company with rights to 80% of the project, and have an option to take that up to 25% if we convert the loan to Netcom to equity. Netcom and the Mpokoto project are presently the subject of an offer by a publicly listed UK entity.

Given the positive outcome of the Prefeasibility Study and the second hard look at the financials that I referred to above, we would have liked to have raised the capital necessary to get to bulk sampling and trial mining at Talisman somewhat earlier than now. In June we visited a range of Sydney brokers that have supported the company in the past. At that time the price of gold was heading south but had not hit bottom. It was apparent to us it was not possible to raise capital for a gold project in that climate at a sensible, acceptable price. So we have had to cut our expenditure to the barest minimum in the intervening period.

However, we now judge the market has turned as reflected in the recent gold price range. In short there are clear signs of recovery. As you are aware we have invited all shareholders to participate in a share purchase plan that will fund the project to the point of first trial production. If you have not already resolved to support the share purchase plan I trust the presentation after the formal session will assist in your decision to participate.

Finally on the subject of raising capital, you will note there are two resolutions on the notice of meeting intended to give your directors additional flexibility with respect to raising additional capital in the future. Dependent on the outcome of the full feasibility study we may or may not need this flexibility but if the full feasibility study confirms the preferred development directions identified in the pre-feasibility study then some capital investment in underground plant and equipment will be required to optimize ore production levels.



The Journey from Explorer to Producer

The annual report for the period to March 2013 reflects the very real progress the Company has made on its journey from explorer to developer and on to producer. The report highlights the changes made to the board and management team to give effect to the strategic decision to focus on developing the Talisman mine, on completing the prefeasibility study, on upgrading the mine access road and hard stand area and on commencement of work on the full feasibility study including trial mining, bulk sampling and identification of the optimal processing route for the gold ore.

Wayne will set out for you later the detailed scope of work intended in the full feasibility study and the proposed direction of developments underground. I want to draw to your attention some other aspects of the journey from explorer to producer that your directors are confronting.

First, the mix of skills and experience required to drive the Talisman project to a successful conclusion is changing. This applies both to executive staff and to board members. In the past both staff and board had a distinct leaning towards geological and exploration skills and we tended to buy in mine engineering and other skills on an as-needed basis. Today it is the other way around in terms of staff. That has implications for the level of remuneration required to attract and retain individual staff with qualifications and experience in the requisite disciplines. In the near future the company will also be engaging miners and process workers and that has implications for the overall amount applied to remuneration.

Second, your board is very conscious of the value of cash in today's investment climate and considers that remuneration of senior executive staff and board should be structured with a mix of cash and equity. The share option portion of the remuneration offers employees and board members an incentive to go the extra mile for the benefit of the company and in that sense aligns the interests of staff and board members closely with the interests of shareholders. I will be happy to speak further to this issue when we come to the relevant resolution in the next section of this meeting.

Third, your board presently comprises only three members. That presents some challenges in terms of best governance practice but also has some advantages in terms of agility and speed of decision making. On balance we judge an additional member or two would be preferable particularly in terms of deepening the engineering and financial disciplines on the board. So the resolution on the order paper seeking an increase in the directors' fee pool is about attracting another member or two to the board, not about paying directors more. As an aside I note that post the various enquiries into the Pike River mine disaster and the collapse of the finance companies, directors are more exposed to the risk of expensive litigation, financial penalties and potentially imprisonment. Directorship of a mining company is not an office that people take on lightly.

Looking to other developments associated with the development of Talisman mine I can report that we are confident we are close to finalizing the terms and conditions of the access agreement to the mine and the terms and condition of the resource consents required to operate the mine during the bulk sampling phase. Those of you who have followed the project closely from its inception will know that the mine site is located on land managed by the Department of Conservation. We have been very careful to confine all our proposed operations within the footprint of the old mine and to contain all water take and discharge to within the old underground workings. Overall the scale of operations we are proposing is small relative to the gold mining operations undertaken nearby at Waihi. Nevertheless we have had to go through a very rigorous application process which we have accepted as a necessary step on the journey to production.

Finally, I wanted to share with you that on Tuesday afternoon we released to the market an announcement concerning gold and silver produced from ore samples recovered from old stockpiles on the hardstand area at Talisman as part of the more extensive studies being undertaken into processing options. This gold was

recovered from ore samples using simple crushing and gravitational separation measures. Wayne will speak further to this exercise in his presentation.

And on one final bright note Citibank Analyst Tom Fitzpatrick's most recent forecast is for the price of gold to hit \$3500 sometime during the next 2 years.

That concludes my address.

J Murray McKee
Chairman
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About New Talisman Gold Mines Ltd

New Talisman Gold is a dual listed (NZX Main Board & 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, which is planning to develop a cobalt project at Thackaringa, about 25 kilometres south-west of Broken Hill in Australia. BPL is listed on the ASX (Code: BPL). More about New Talisman Gold at www.newtalisman.co.nz