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ANNOUNCEMENT BY NEW TALISMAN GOLD MINES LIMITED (NTL and NTLOA or NTLO)
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Talisman Pre-Feasibility Study Supports Robust Profitable Gold Project

- **Phase 1 development of Talisman mine to deliver cash surplus of NZ\$23.4 million**
- **Robust C1 cash cost of US\$588/oz and C3 Cash cost of US\$1075/oz – well below current prices**
- **Flexible mine plan offers resilience in the event of ongoing price volatility**
- **Initial 5 year start up project forecast to generate NZ\$68.2 million in revenue**
- **Start up capital requirement of NZ\$5.4 million**
- **Peak annual gold output of 12,115 oz Au and 36,000 oz Ag**
- **Progression to larger, long term operation subject to resource proving**
- **Phase 1 surplus to provide funding for Phase 2 resource proving and mine expansion**

New Zealand gold mine developer New Talisman Gold Mines Ltd (NZX: NTL) announced today that a Pre-Feasibility Study of the Talisman project near Waihi, ("the Study") has identified the potential to develop a robust and profitable mining operation.

The Study found that a first-stage development of an underground mine could deliver a cash surplus of NZ\$23.4 million during its five-year life. It also concluded that the mine would have an all in cost, inclusive of capital (C3 cost) of US\$1075 per ounce.

New Talisman's executive director Matt Hill said: "This finding is a very positive step for the company's plan to re-open the Talisman mine in the world class Waihi Gold District. The pace of work has stepped up so that the project can get underway once detailed mine planning and permitting has been concluded. The development initially of a small low impact high grade gold mine sets the platform for the exploitation of target areas for future phase 2 developments".

Previous underground drilling and sampling has delineated a Mineral Resource of 204,760 oz gold at a grade of 6.9 g/t and 798,840 oz silver at a grade of 27 g/t. The mining operation examined in the Pre-Feasibility Study would involve only part of this resource, generating income with an aim to develop an extended operation.

Resource Category	Tonnes	Au Grade	Au Oz	Ag Grade	Ag Oz
Measured	212,500	5.0	34,000	27.5	187,900
Indicated	197,690	5.0	31,660	26.5	168,140
Inferred	507,500	8.5	139,100	27.2	442,800
Total			204,760		798,840

Work completed by NTL has identified several additional target areas contained in both remnant areas within existing workings and strike and dip extensions of the Maria and Crown/Welcome veins. Of particular interest is the newly discovered Mystery vein, which has not previously been mined and which lies between the Maria and Crown/Welcome vein systems.

Establishing that the new target areas contain economic mineralisation will require opening up of existing tunnels and new development within the underground mine as well as further exploration. The company intends to fund this work with a small scale mining operation, focussed on the immediately available, Measured and Indicated resources to ensure that the project is self-funded.

Initial mining would produce a projected cash surplus of NZ\$23.4 million from total ore milled of 106,500 tonnes at a recovered grade of 9.4g/t Au and 30.0g/t Ag. A total of 32,200 ounces of gold would be recovered along with 102,800 ounces of silver.

The Study found that the new mine plan is conservative and achievable with relatively low risk for a mining project at this stage of development. It would generate an internal rate of return of 83% and the payback period would be 2.5 years.

Gold was initially found in alluvial material at Karangahake, near the Talisman mine workings, in 1875. Shortly after, a gold vein was found at nearby Mt Karangahake and ore was being removed from the Talisman, Woodstock and Crown mines by 1880. Crown, the last of the three mines to remain in operation, closed in 1928. About 37km of mine tunnels are present at Talisman, and 3.5km have been recently explored.

The new operation at Talisman would remove gold/silver ore from the Maria, Mystery and Welcome/Crown gold veins, which are contained in four distinct blocks of mineralisation.

NTL said that work was still being conducted on the metallurgy of the orebody, and that permitting issues are being given a priority. The mine is currently covered by a Mining Permit (MP) 51-326.

Chairman Murray McKee said the board welcomed the findings and recommendations of the report. "We consider the mine development strategy set out in the report makes very sound sense. Targeting the resources that have the highest level of confidence and are closest to the existing underground access reduces risk and enables early cash flows to be applied to proving further resources. We are confident we have identified a development pathway that makes eminent commercial sense in itself while at the same time opening the gateway to potentially very much larger and more valuable resources in the future".

Mr McKee noted the report represented another significant milestone in moving the company from explorer to producer. "We are now focused on the next steps on the critical path to production and will make further announcements in due course".

Summary of Pre-Feasibility Study

The Pre-Feasibility Study analysed a range of options around the mining method, materials handling and backup services with a view to identifying the preferred option to establishing a low impact, small-scale underground mining operation. The operation would focus on the high confidence resources, immediately adjacent to the accessible 8 Level drives, delineated during the 2005 exploration program and create the infrastructure necessary to support further exploration activity. Key findings from the study were:

Mining Method – Ore veins are steeply dipping, from 70° to near vertical, with widths ranging from ~1.0m in the Welcome/Crown area to >6.0m in the Woodstock. Preliminary stope designs have been constructed



encompassing the volume of estimated payable ore in each resource block. Analysis indicates that the geometry of the lodes is potentially suitable for a number of mining methods. The study recommended that a sub-level stoping design be implemented to provide the flexibility to switch between hand-held and long-hole drilling techniques where applicable.

Materials Handling – An option analysis was carried out on the installation of rail bound transport systems underground compared with the deployment of a fleet of small, rubber tyred loaders and trucks. Results clearly demonstrated that the flexibility of a trackless fleet, which would enable extraction of the resources below 8 Level through a series of small ramp systems, held significant advantage to the project.

Production Plan - A production plan was developed based on the above assumptions. It indicated that an initial five-year operation, with peak production of 35,000 tonnes per annum and 12,000 gold ounces in years 3 and 4 was possible. 65% of the total 106,000 tonnes mined would be derived from the better understood Woodstock and Dubbo Sections. Production planned from the Mystery and Welcome/Crown blocks would primarily comprise on-reef development required to improve and extend the confidence of resource estimates within these areas.

Services – Systems required to support mining operations, such as power, water and compressed air reticulation, have been designed to support double the production rates estimated in the plan. This would permit the possible future expansion of the mine into newly proven areas. Considerable consideration has been given to designing systems that would minimise impact on the environment.

Processing and Metallurgy – The study evaluated several processing options including non-chemical gravitation separation, flotation and cyanide leaching. Historically, cyanide leaching of ore from Talisman achieved a 95% gold recovery and 70% silver. Costs included in this study reflect the capital and operating costs for a dedicated CIL plant. NTL is awaiting results of test-work undertaken by Auckland University and intends to embark on a bulk sampling program and further metallurgical test-work to inform detailed design of the ore processing flow-sheet. Additionally the company is holding discussions with a number of local gold producers to investigate the potential for a toll treating agreement.

Environmental Management and Permitting – Considerable care has been exercised during the design process to restrict the mine's footprint to the existing disturbed areas and to minimise environmental impacts. The company is in advanced discussions with regulatory bodies regarding the consents required to begin low impact bulk sampling.

Cost Estimates – Capital and Operating Cost estimates were determined from supplier quotes and budget prices. The total capital requirement estimated for the project, including sustaining capital, rehabilitation provision and contingency was NZ\$10.9 million, with an initial drawdown of NZ\$4.3m in year one. Total operating costs, inclusive of royalties and overheads, amount to NZ\$33.5m over the five-year initial mining period. Maximum cash exposure amounts to NZ\$7.3m incurred during the second year of operation following which the mine would be completely self-funding.

Project Economics – A Discounted Cash Flow analysis based on a weighted consensus average gold price forecast of US\$1600/oz, a NZ\$:US\$ exchange rate of 1:0.8 and a 10% discount rate indicated a net present value (NPV) for the project of NZ\$15.5 million. Unit cash costs were estimated at NZ\$692/oz with an all in cost, including capital expenditure of NZ\$1166/oz.

Ore Reserves – The formal documentation and public report pertaining to the Talisman's JORC compliant maiden Ore Reserve statement are being prepared and will be released within the coming weeks.



Planned Work

NTL plans to advance the project through the following actions:

- Pursue negotiations for an access arrangement to initiate a bulk sampling program. This will enable further metallurgical testwork and delineation of the initial target ore zones. Detailed planning of this program is underway.
- Initiate a Feasibility Study on the Woodstock and Dubbo Zones of the Maria Vein, which are the initial mining targets. This will include upgrading the Processing Plant flow sheet and fine tuning associated capital and operating cost estimates.
- Pursue negotiations with local gold producers with a view to locking in a toll treatment agreement.
- Compile an Assessment of Environmental Effects to accompany applications for Resource Consents as required under the Resource Management Act.

Competent Person Statements

The information in this presentation that relates to ore reserve estimates were prepared by Mr Wayne J Chowles, a registered Mining Engineer and member of the AusIMM. Mr Chowles is a full time employee of New Talisman Gold Mines Limited and the author of the Talisman Prefeasibility Study referred to in this release. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Chowles consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to exploration results, exploration targets and mineral resources is based on information compiled by or supervised by Mr Murray Stevens. Mr Stevens is an independent consulting geologist who is a corporate member of the AusIMM. Mr Stevens has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". The information is extracted from the report entitled "Talisman Gold Resource Increases to 205,000 oz Au" 11 May 2005. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Persons findings are presented have not been materially modified from the original market announcement.

Disclaimer

Although New Talisman Gold Mines Ltd (NTL) commissioned the geological information and mining data referred to in this presentation, NTL does not guarantee or otherwise warrant the accuracy or currency of such information or data. Further, no representation is given or warranty is made in respect of any future performance of the share price of shares in NTL or any company associated with it. This document is not intended to, and does not, represent an offer of any securities.

The terms geological potential, potential, exploration target and target where used in this report do not constitute and should not be interpreted as Mineral Resources or Ore Reserves under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code 2004). The potential quantity and grade is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource or an Ore Reserve and it is uncertain if further exploration will result in the estimation of a Mineral Resource or Ore Reserve.

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.newtalismangold.co.nz