

TNG LIMITED

ABN 12 000 817 023

ANNUAL REPORT

2015

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TNG LIMITED

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Paul Burton (Managing Director)
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Australian Securities Exchange (ASX)
Code: TNG

INTERNATIONAL STOCK EXCHANGE

German Stock Exchanges
Code: HJI

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2015 HIGHLIGHTS – YEAR IN REVIEW

“Subject to all approvals, permitting and financing, construction of Mount Peake is planned to commence in 2016 with first production scheduled for early 2018.”

- ▶ Definitive Feasibility Study (DFS) completed on the Mount Peake Vanadium-Titanium-Iron Project, outlining a potentially world-class project capable of delivering robust financial and technical outcomes including an NPV of \$4.9 billion and pre-tax IRR of 41 %.
- ▶ Funding, development and off-take discussion progressing with an extensive portfolio of Tier One strategic partners including several major South Korean steel and industrial conglomerates.
- ▶ All phases of the improved TIVAN® downstream hydrometallurgical process flow-sheet and pilot plant completed satisfactorily, paving the way for commercialisation to proceed.

Mount Peake Vanadium and Titanium Project

Conceptual Design



REVIEW OF OPERATIONS

- ▶ Large aquifer system discovered capable of providing a sustainable long-term source of water to supply all requirements for the Mount Peake Project over its planned 20-plus year life.
- ▶ Global firm GHD completes the final Environmental Impact Statement (EIS) for the Mount Peake Project, with the EIS submitted to regulatory authorities.
- ▶ Spin-off of the Company's portfolio of zinc, copper and base metal assets to proceed following shareholder approval for the demerger of Todd River Resources.
- ▶ \$9.5 million raised through share placements to institutional and sophisticated investors placing TNG in a strong position as it moves ahead with financing and off-take discussions for the Mount Peake Project.



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CHAIRMAN'S LETTER

Dear Shareholders,

2015 has in many respects been a defining year in TNG's history.

Despite what has been one of the most challenging market environments experienced in the global commodities sector in recent history, our management and consulting team have been able to complete and deliver the Definitive Feasibility Study (DFS) on our flagship asset, the Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory.

Drawing on contributions from a diverse group of Tier One engineering groups, metallurgists and technical specialists, the completion of the DFS on time and on budget represents a major achievement by our management team, led by our Managing Director Paul Burton, and marks the culmination of three years of intensive work to advance the Mount Peake Project towards financing and development.

I am pleased to report that the results of the DFS have vindicated our confidence and belief that Mount Peake has the potential to be a world-class resource project with outstanding economic fundamentals and the potential to deliver significant long-term returns to the Company and our shareholders.

Headline figures include a projected surplus operating cash flow of \$13.6 billion over the project's initial 17-year mine life – equating to \$780 million per year – a pre-tax Internal Rate of Return of 41 per cent, and a Net Present Value of A\$4.9 billion. These impressive numbers demonstrate that Mount Peake is a significant resource asset, by any measure.

While the past few years has been an extraordinarily active period for TNG, the completion of the DFS means that, if anything, things are only going to get busier from here as we prepare to move the project towards financing and production.

Significant headway has already been made in this regard, with the outstanding fundamentals of the Mount Peake Project enabling TNG to secure a strong portfolio of strategic agreements and partnerships to underpin project development, funding and off-take.

Leading global industrial, engineering and construction conglomerates and Tier One commodity traders including Hyundai Steel, WOOJIN, POSCO Engineering & Construction, Gunvor Group, Global Pacific Partners and SMS Siemag have all signed preliminary agreements relating to the project and we expect to secure binding agreements in the coming months.

Subject to all regulatory approvals, permitting and receipt of financing, initial site works are expected to commence at Mount Peake early in 2016, with the first shipment of vanadium pentoxide, titanium pigment and pig iron expected to occur in early 2018.

This financing-construction-development and production timetable means that Mount Peake will be ideally positioned to benefit, not just from the reduction in costs which we are beginning to see flow into the Australian resource sector, but also from the extremely positive outlook for the highly valuable products we will produce which are also benefitting from a lower Australian dollar.

The vanadium price is widely forecast to rise strongly over the next few years as supply from ageing mines in Southern Africa tightens up and demand continues to grow strongly – driven both by specialty steel-related applications and by the emerging battery and energy storage sectors. This latter application could well prove to be a game-changer for vanadium as it continues to emerge as a potentially “disruptive” technology in the global energy and economic landscape.

“I am pleased to report that the results of the DFS have vindicated our confidence and belief that Mount Peake has the potential to be a world-class resource project with outstanding economic fundamentals and the potential to deliver significant long-term returns to the Company and our shareholders.” – TNG Acting Chairman, Michael Evans

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In light of this intensive development schedule and our clear focus on the development of Mount Peake as our primary asset, during the year we progressed plans to spin-off some of the Company's non-core zinc, copper and base metal assets into a new Initial Public Offering, providing TNG shareholders with an opportunity to realise significant value from these assets.

The new company – to be named Todd River Resources – will hold an extensive diversified portfolio of projects including the Manbarrum Zinc Project which hosts combined resources of approximately 35 million tonnes of combined zinc, lead and silver mineralisation in shallow open-pittable prospects close to infrastructure.

Manbarrum is an advanced project with metallurgical work and a Scoping Study already completed, and it remains advantageously placed to benefit from the widely predicted upturn in the zinc market as supply begins to tighten with the closure of several major mines in the next 12-18 months.

In addition, Todd River Resources will also hold the Mount Hardy Copper-Gold Project, which offers potential for early production from oxide copper-gold; and the exciting McArthur River, Wallabanba Hills and Tomkinson Basin projects – all of which offer drill-ready targets.

The planned structure of the spin-off, which was approved by TNG shareholders at an Extraordinary General Meeting held in May 2015, is that TNG will retain a major shareholding, a new cornerstone investor will also be secured, and TNG shareholders will receive a free in-specie distribution of new Todd River Resources shares.

We believe this represents an excellent opportunity for the Company and its shareholders to generate value from this outstanding portfolio of high quality resource projects, while also enabling TNG to fully focus its efforts on moving the Mount Peake Project through development and into production.

In conclusion, TNG enters the new financial year in outstanding shape, with a strong balance sheet, a potentially world-class asset which has now been technically proven to the highest possible level, an outstanding portfolio of development, financing and off-take partners and a quality commodity portfolio in the Northern Territory which is set to be demerged into a new vehicle that is scheduled to list on the ASX over the coming 12 months.

I would like to sincerely thank the TNG team, led by Paul Burton, for their outstanding efforts and hard work during the course of the year. My thanks also go to our extensive team of consultants and Feasibility Study partners, and I welcome the continued involvement of our global development and off-take partners.

Finally, I would like to thank our shareholders for their patience and support, as we embark on the next key phase of TNG's growth and development. I look forward to sharing this exciting time with you all.

Yours faithfully,

Michael Evans

Acting Chairman

REVIEW OF OPERATIONS

SUMMARY

TNG's focus throughout the 2015 Financial Year remained on the advancement of its 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory. This work culminated in the delivery of the Mount Peake Definitive Feasibility Study (DFS) subsequent to the end of the reporting period, which confirmed the Project's outstanding technical and economic fundamentals.

MOUNT PEAKE PROJECT: TNG 100%

The Mount Peake Project is emerging as a world-scale strategic metals project located 235km north-west of Alice Springs in the Northern Territory close to existing key power and transport infrastructure including the Alice Springs-Darwin Railway and the Stuart Highway. With a JORC Measured, Indicated and Inferred Resource totalling 160Mt (118Mt Measured, 20Mt Indicated, 20Mt Inferred), grading 0.28% V₂O₅, 5.3% TiO₂ and 23% Fe, Mount Peake is rapidly emerging as one of the largest new vanadium-titanium-iron projects in the world. The area under licence covers a highly prospective, but poorly explored part of the Western Arunta geological province which offers significant exploration upside for TNG within an extensive 2,000km² 100%-owned ground-holding.

The Company has also identified a potentially significant graphite resource near the Mount Peake project area. If proven the Company would potentially have the unique ability to produce all materials from Mount Peake for the energy storage (battery), steel and diverse industry sectors: namely vanadium pentoxide, pig-iron, titanium pigment and graphite.

TNG has just completed a Feasibility Study on the Mount Peake Project, paving the way for project financing and development to proceed. Further details of the Feasibility Study are provided below.

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Definitive Feasibility Study

Definitive Feasibility Study Summary and Key Assumptions

DFS results show an increase in life-of-mine revenues and cash flows compared to the previous results from the Pre-Feasibility Study (PFS) completed in 2012 (see ASX Announcement – 15 July 2013).

The DFS is based on the production of magnetite concentrate on site at Mount Peake. The DFS assumes that concentrate will be trucked to a rail siding and then railed north to a TIVAN® Refinery facility to be located

approximately 10km from Darwin Port. From the magnetite concentrate, the TIVAN® facility will produce high-purity vanadium pentoxide, titanium dioxide concentrate and iron oxide. Associated downstream plants will produce high grade titanium pigment and pig iron.

While the additional plant facilities increase the capital requirement of the project, the higher revenues achieved from the higher value end products provide the Company with the potential for an early payback (<4 years) and an exceptional internal rate of return. In addition, the products have well understood markets, transparent pricing and ready demand.

DFS financial model

The DFS financial model was compiled and audited by Snowden. Key assumptions and findings are as follows:

Summary of Key Financial Parameters from cash flow model:

Mine Life:	15 years
Pre-production capital cost estimate (including all infrastructure:	A\$970 million
Total operating costs (including mining, processing, transport & royalties):	A\$167 per tonne of ore
Total revenue (life-of-mine):	A\$273 billion
Operating cash flow (life-of-mine):	A\$13.6 billion
Net cash flow (life-of-mine):	A\$11.6 billion
Discount rate:	8%
Pay back:	4 years
Nett annual operating cash flow:	A\$780M
IRR pre-tax:	41%
NPV (at 8% discounted)	A\$4.9 billion

Maiden Mineral Resource

The Mount Peake Mineral Resource estimate was released in an ASX Announcement dated 26 March 2013, (see ASX Announcement – 26 March 2013, “Additional Information on the Mount Peake Resource”, www.tngltd.com.au), and was completed in accordance with the guidelines of the JORC Code (2012). Initial mining and financial assessment work, based on the Mineral Resource, followed (see ASX Announcement – 15 July 2013, “TNG Considers Two-Stage Development Option for Mount Peake Project, NT”, www.tngltd.com.au). Details of the methodology and assumptions made are outlined in Appendix One.

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, in the case of estimates of Mineral Resources, 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 Person’s findings are represented have not been materially modified from the original market announcement.

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Table 1. The 2013 Mount Peake Mineral Resource estimate.

Mineral Resource Category	Tonnes (Mt)	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
Measured	120	0.29	5.5	24	8.2	33
Indicated	20	0.28	5.3	22	9.1	34
Inferred	22	0.22	4.4	19	10.0	38
TOTAL	160	0.28	5.3	23	8.6	34

Note: Tonnage and grade figures in tables have been rounded to 2 or 3 significant figures and as a result small discrepancies may occur due to the effect of rounding. Estimate calculated at a 0.1% V₂O₅ cut-off.

Ore Reserve

The Probable Ore Reserve estimated as part of the DFS is based on, and inclusive of, the above stated Mineral Resources. The Ore Reserve is classified as a Probable Reserve and constitutes around 30% of the Measured and Indicated Mineral Resource, limited only by price forecasts provided by TNG's external consultants.

The forecasts go out to the year 2025 and the resultant Probable Reserve encompasses the first eight years of the planned mine life.

Table 2. The maiden Mount Peake Probable Ore Reserve estimate.

Category	Tonnes (Mt)	V ₂ O ₅ %	TiO ₂ %	Fe%
Proven	0	-	-	-
Probable	41.1	0.42	7.99	28.0
TOTAL	41.1	0.42	7.99	28.0

Note: Tonnage and grade figures in tables have been rounded to 2 or 3 significant figures and as a result small discrepancies may occur due to the effect of rounding. Estimate calculated at 15% Fe cut-off grade

Planned Mining and Mining Inventory

Under the DFS, the planned mine is based on a total mining inventory of 78Mt at an average grade of V₂O₅ 0.38%, TiO₂ 7.04%, and Fe 27.1%. The mining inventory includes all life-of-mine material within the planned pit shell, and is inclusive of both the Probable Ore Reserve material and the material to be mined during years 9 to 17.

The inventory for mining in years 9-17 is not included in the Ore Reserve due to product pricing estimates not being available.

The mining inventory is defined by a pit shell produced by a Lerchs Grossman optimisation for mine planning purposes, detailed in Appendix One of the Company's ASX Announcement dated 31 July 2015, and the Reserve constitutes around 53% of this mining inventory. The Mineral Resource has been promulgated on a 0.1% V₂O₅ cut-off and the Ore Reserve on a 15% Fe cut-off. An iron cut-off, rather than a vanadium cut-off has been applied for procedural simplicity in the mine planning process and does not materially affect the Resource estimate, as the iron cut-off encompasses all material above a 0.1% vanadium cut-off.

The total mining inventory assumed under the DFS represents a 65% conversion of the 2013 Measured Resource, but with a significant increase in grade (from 0.28% to 0.42% V₂O₅). The large size of the orebody (ca. 2000m x 350m x 100m) and gradual grade boundaries allows a low 2% dilution factor to be applied, with ore loss being correspondingly low.

The mining inventory of 78Mt is derived from the Probable Ore Reserve (41Mt), the Measured Resource (27Mt) and the Indicated Resource (10Mt).

87% of the Probable Ore Reserve is derived from Measured Resource (36Mt), and 13% Indicated Resource (5Mt), with no Inferred Resource material included in the Probable Ore Reserve.

The Strip ratio is 0.9. Following a pre-strip, the principal mining method will be an open pit with conventional drill and blast and load and haul with excavators and large mining equipment. Ore and waste will be trucked to the concentrator and waste dump respectively.

The mining schedule has been designed to initially fill the plant and maintain a consistent blend of mined material. Consequently, the majority of the capital development is scheduled to occur in the first 24 months.

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Geotechnical and Groundwater Studies

Geotechnical testwork shows the enclosing rock to be geotechnically competent allowing relatively steep pit wall angles. Groundwater exploration, pump testing and modelling simulations have been completed around the Mount Peake deposit. Results indicate that no significant dewatering of the mine environment will be required during mine development.

Mine Site Concentrator

An extensive metallurgical testwork program involving a number of laboratories and the CSIRO (Perth) has been performed for the DFS.

The testwork results show that the ore is amenable to the production of a high specification magnetite concentrate refinery feed stock via crushing, grinding and conventional magnetic separation.

A detailed mine site beneficiation flow sheet and layout has been developed utilising conventional crushing and HPGR grinding process with a primary crusher fed by a dedicated front end loader from stockpiles.

Other Infrastructure and Logistics

Power for onsite production and facilities is expected to be generated from an on-site gas-fired power station provided by a specialist power generation contractor. Gas is expected to be sourced from the Amadeus Gas Pipeline located 20km from the proposed mine site.

A 103km long road will provide access between the Mount Peake mine site and the rail siding, and includes an underpass on the Stuart Highway crossing (for concentrate trucks) and intersections with the Stuart Highway (for mine site access).

The road has been designed in accordance with Austroads Guide to Road Design and is suitable for concentrate and other trucks in a road train configuration of up to 50m in length.

New rail sidings, spur lines and associated signalling infrastructure will be built for both the mine and Darwin Refinery sites.

A 350 person construction village will be built, to be replaced by a 170 person operations accommodation facility.

The project is expected to use the existing Ti Tree airstrip, 70km from the mine site. This 1.6km long bitumen airstrip is available, and able to accommodate jet aircraft such as the Fokker F100 or BAE146. Negotiations with the Northern Territory Government on this facility are in progress and the upgrade of the current airstrip is anticipated to be covered by the Federal Government's Development Fund for Northern Australia.

TIVAN® Refinery, Metallurgy, and Associated Infrastructure

An extensive metallurgical testwork program for the development of the TIVAN® Refinery has been in progress since 2009, involving multiple flow sheets. For the DFS an industry standard pilot plant was constructed at the CSIRO (Perth) with leaching and continuous solvent extraction conducted to simulate scale-up to commercial design (see ASX Announcement – 8 July 2015).

The TIVAN® Refinery processing plant for the purposes of the DFS is proposed to be located in Darwin at a site approximately 10km from the Darwin Port. A suitable industrially zoned land site has been identified and reserved, while negotiations on the lease of the land are advanced with the Northern Territory Government. Darwin provides the necessary established infrastructure such as gas supply, power, water, a stable workforce and close access to a port.

The TIVAN® Refinery will have a design feed capacity of 900,000 tonnes of magnetite concentrate per year and is proposed to expand to a maximum capacity of 1,800,000 tonnes in production year five. The TIVAN® Refinery consists of feed preparation, leaching, solvent extraction and acid regeneration. The refinery will produce vanadium pentoxide, pigment grade titanium dioxide and pig iron. A detailed flow sheet and plant design have been completed with the site layout in progress. The plant layout has been designed with expansion capability should throughput be increased.

Mount Peake Final Products:

During the detailed 24-month DFS and TIVAN® testwork, the challenging commodity markets were constantly addressed. As a result the Company focused on producing final products that had historically solid demand in readily available and growing markets, in addition to transparent pricing in order to demonstrate a significantly de-risked and robust project for financing.

In the DFS it is assumed the following are for production:

- **Vanadium Pentoxide:** It is planned that the Company will produce a high purity vanadium pentoxide (V_2O_5) via the 100% owned TIVAN® Process, providing an enhanced vanadium product available for different end-user markets and able to capture a premium price. This will be of a purity that can be used in both the ferro-vanadium and emerging Vanadium Redox battery market sectors. At maximum production, TNG would supply approximately 8% of current global demand. Prices for V_2O_5 are at relative historic lows but are forecast to increase over the next few years as supply/demand tightens.

REVIEW OF OPERATIONS

Mount Peake Final Products (continued):

- ▶ **Pigment-grade Titanium Dioxide:** The Company will produce a high quality titanium dioxide (TiO₂) concentrate via the TIVAN® Process. This will then be further refined on site to pigment grade (>95% TiO₂ purity), through an industry standard chloride process, providing an important high-value titanium product rather than a medium-grade product as was previously considered in the PFS.
- ▶ **Pigment grade titanium dioxide** from a chloride process is in high demand and used extensively in chemical and high technology industry for a vast range of industrial and consumer goods. At maximum projected production TNG would supply approximately 2% of current global demand. It currently sells for approximately US\$3000/tonne, compared to the US\$400/tonne assumed in the PFS.
- ▶ **Pig Iron:** The Company will produce a high purity iron oxide (Fe₂O₃) via the acid regeneration process of the TIVAN® Refinery. In a reaction to the changed market conditions and outlook for iron oxide, the Company has taken advice from its metallurgical partners and decided to opt for a well-recognised, industry standard iron product that has a guaranteed market and strong price. Pig iron is an intermediate iron product that is cast into ingot "pigs" and used in integrated steel mills and the metal casting industry and currently sells for approximately US\$300/tonne. TNG's projected production would represent 0.05% of the current global production of pig iron.

TIVAN® Refinery and the Acid Regeneration Plant (ARP)

The ARP is an integral part of the refinery. For the DFS the ARP will fall under a Build-Own-Operate-Transfer (BOOT) model. As this plant serves an internal purpose (acid recycling) and does not produce any of the final products, the Company considers it is prudent and commercially sensible to outsource it.

It is important to note that the TIVAN® Refinery is expected to be designed for an operational life of approximately 40 years and will therefore be expected to run longer than the current life-of-mine for the Mount Peake project.

Drilling results have indicated the potential to find additional ore in the Mount Peake area, where other vanadium and titanium bearing magnetite-bearing intrusives have already been identified (see ASX Announcement – 15 April 2014). The location of the TIVAN® Refinery near Darwin Port also allows the potential for other concentrates to be shipped to the refinery for processing.

The potential for the additional long-life revenue streams from the refinery have not been incorporated into the DFS.

Capital Expenditure

The DFS assumes an overall capital expenditure (Capex) cost for Stage One of AUD\$970 million, which includes an EPCM (engineering, procurement, and construction management) charge of 8% and 5% contingency. This figure includes all infrastructure, access/haul roads, mining, rail works, camp, water supply, concentrator, tailing dam, and the Darwin Refinery and port handling costs.

Table 3. Capital cost summary

Capital Expenditure	Stage 1 \$AUD Million	Stage 2 \$AUD Million
*Total Mining and Infrastructure Capex	\$208	\$67.1
**Total Refinery Capex	\$647	\$631
TOTAL CAPEX	\$856	\$698
EPCM (8%)	\$68.4	\$55.9
CONTINGENCY (5%)	\$46.2	\$37.7
TOTAL	\$970	\$792

* Includes: Camp, roads and rail infrastructure, water supply, concentrator and tailings facility.

** Includes: TIVAN® refinery, Pig Iron and Titanium plants and port handling facilities.

Stage Two is planned to occur in years 4-5, where mine production is projected to increase from 3Mtpa to 6Mtpa, and the capacity of both the concentrator and Refinery double. It is assumed that Stage 2 Capex costs of AUD \$793 million are to be paid out of operating revenue.

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Operating Costs

Overall operating expenditure (Opex) costs have been estimated based on life-of-mine tonnage and grade information, processing costs for the beneficiation plant, refinery costs, output tonnages, and sales revenues, with an overall assumed Opex of \$167/tonne of ore mined.

Commodity Pricing

Independent pricing forecasts for each commodity were commissioned by TNG. These included forecasts for vanadium (supplied by Roskills, London), titanium dioxide (supplied by Roskills, London) and pig iron (supplied by commodity traders, Shanghai). Mount Peake is planned to commence production at a time when vanadium prices are forecast to have recovered from recent price lows, while titanium pigment and pig iron prices are expected to remain strong.

Forward estimate “real” and “nominal” prices for all commodities were provided by the consultants and are commercial in confidence. The methodology used by the consultants in the commodity forecasts was based on the following: current market reviews of suppliers, consumers, reviews of global consumption, new markets, trends, Strengths Weaknesses Opportunities Threats (SWOT) analysis, historical and future trends of supply and demand in “real” and “nominal” prices. Only “real” pricing was used for all commodities in the DFS.

Exchange Rate

A USD exchange rate of 0.75 AUD based on Reserve Bank of Australia (RBA) estimates was used in the DFS.

Commodity Off-take

At full production, the TIVAN® Refinery is expected to produce an average of 17,560tpa of V₂O₅, 236,000tpa TiO₂ pigment and 637,000tpa of pig iron.

TNG has shortlisted, and is continuing to progress advanced negotiations with, major global tier one companies as potential off-take customers. Initial agreements have been secured for all commodities, and a Binding Term sheet signed for vanadium pentoxide off-take. Binding off-take agreements are in negotiation and expected to be completed in the September 2015 Quarter.

Development Schedule

After the final Native Title Agreement is signed by TNG and the Traditional Owners, TNG expects a recommendation to be made by the NT Department of Mines and Energy with regards to the granting of the Mount Peake Mining Leases (ML28341, ML29855, ML29856, and ML30686). This is expected to take one month from the finalisation of the Native Title Agreement.

The Environmental Impact Statement (EIS) is well advanced and expected to be submitted shortly. No issues are currently anticipated from any of the above approvals and processes.

Subject to all regulatory approvals, permitting and receipt of financing, initial site works are expected to commence early in 2016 and will comprise concurrent construction of the accommodation village, the access road and commencement of clearing of the open cut through the overlying sand cover to enable the establishment of the first areas for mining.

The Mount Peake project proposed implementation schedule is dictated by the development of the TIVAN® Refinery. It is planned that first ore is expected to be extracted in Q1 2018, with initial ore stored on a run of mine (ROM) stockpile.

The process plant will commence processing when the ROM stockpile contains sufficient ore feed, which the DFS assumes will occur in Q1 2018.

First concentrate production is expected to be sent to the TIVAN® Refinery in Q1 2018 and the first vanadium pentoxide, titanium pigment and pig iron shipment is expected to occur in Q2 2018.

Satisfactory financing, final development approvals, signing of the final Native Title Agreement, the grant of the Mining Leases and a number of other environmental and other regulatory approvals and permits will be required before mine development and production can commence. The proposed schedule described above is subject to satisfying those requirements.

Next Steps

Financing and off-take discussions have progressed significantly and it is possible that these will be finalised prior to receipt of all necessary statutory approvals.

While the Company's immediate focus is on the permitting and development of the Mount Peake mine, it is also well placed to continue with developing its extensive asset portfolio to build TNG into a premier mining group.

Following recent discussions with Australian, European, Korean and Chinese Engineering Procurement and Construction (EPC) companies, TNG will now give immediate consideration to identifying potentially suitable partners for development of the project.

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Strategic Development and Off-Take Agreements

Development Agreement with Hyundai Steel

On 10 July 2014, TNG signed a wide-ranging three-way Memorandum of Understanding (MoU) with global steel giant Hyundai Steel Co., Ltd, paving the way for a potentially company-making funding, development and construction arrangement for the Mount Peake Project.

The non-binding MoU – with Hyundai Steel and leading ferro-vanadium producer, Korean-based WOOJIN IND., CO., Ltd – was signed during a visit by a high-level delegation comprising senior executives from both Hyundai Steel and WOOJIN to Perth.

The MoU lays the foundations for TNG to enter into binding agreements with Hyundai Steel for the financing and development of Mount Peake and the potential long term off-take agreements for iron and other products. Importantly, it also considers all of TNG's resource projects.

Hyundai Steel is a steel-making company headquartered in Incheon and Seoul, South Korea. It is a member of the Hyundai-Kia Automotive Group. Hyundai Steel is today one of the world's leading electric furnace steelmakers with three new blast furnaces and production sites at Incheon, Pohang and Dangjin in Korea.

The Company is now in discussions for binding agreements.

Binding agreement signed with WOOJIN for vanadium off-take and technology exchange

On 7 September 2015, TNG signed a Binding offtake with the major Korean-based ferro-vanadium producer WOOJIN IND., CO., LTD., (WJN) for the sale of up to 60% of the life of mine vanadium production from Mount Peake. (see ASX release 7 September 2015).

These landmark agreements, with the major Korean-based ferro-vanadium group WOOJIN IND., CO., LTD., (WJN), were signed last week by TNG's Managing Director, Mr Paul Burton, and WOOJIN's CEO, Mr Ki, at a formal ceremony held at WOOJIN's headquarters in Seoul, Korea.

The life-of-mine off-take agreement encompasses binding commitments for WJN to take or pay a minimum of 60 per cent of the vanadium pentoxide (V_2O_5) and other vanadium products from Mount Peake with a minimum guaranteed price which is, based on the cost of production estimates determined under the DFS, 20% above TNG's forecast cost of production. This off-take agreement will allow more accurate forecasts of project's revenue and profitability and creates a strong foundation for the projects financing and development.



Plate 1: WOOJIN CEO and Chairman Mr Ki (left) with TNG's Managing Director Mr Burton.

TNG also entered into a binding agreement for the transfer of ferro-vanadium (FeV) production technology from WJN. The FeV conversion plant will be installed at TNG's TIVAN[®] refinery site. This technology will allow TNG to further diversify the product portfolio assumed in the DFS, move up the vanadium value chain with a product that is directly saleable to major steel mills on a global basis and take advantage from any price advantage of one product over the other (V_2O_5 vs FeV).

WJN's proprietary technology has the world's highest vanadium recovery rate and TNG expects this to significantly benefit the company with additional profitability over the project's life.

The signing of these binding agreements cements TNG's strategic plan to become a major player in the global supply chain of vanadium, securing a long-term partnership with one of the world's leading high quality ferro-vanadium producers.

Both agreements are governed by Singapore law and require the parties to obtain any relevant approvals regulatory and governmental approvals in Australia and Korea for implementation when production commences which is assumed to be in 2018 subject to finance and all regulatory approvals.

REVIEW OF OPERATIONS

The signing of these two binding agreements marks a significant milestone for the Mount Peake Project following the completion of the DFS and will assist in the Company's financing and commercial plans to deliver on its project development schedule. Subject to receipt of all approvals, permitting and financing, construction of Mount Peake could commence in 2016 with potential first production in early 2018, when independent commodity forecasts indicate that the price of V_2O_5 is expected to be substantially higher than current prices.

In parallel, the company confirms that it is moving forward with discussions on off-take agreements for the remainder of its vanadium production, which includes, but is not limited to, vanadium redox battery grade products, and for its Titanium Pigment and Pig-Iron products, and on a number of key aspects of the Mount Peake project, including the process for mine and development permitting and approvals.

TNG is also currently in initial discussions with parties interested in providing financing for the Mount Peake Project. WOOJIN and other Korean and international groups are currently reviewing both pre-production finance to and investment in, TNG or the Mount Peake Project.

Letter of Intent with Global Pacific Partners for titanium products

TNG has taken an additional step towards securing binding agreements for the supply of logistics services, pre-production funding and offtake of titanium products from Mount Peake after signing a Letter of Intent (LOI) with global chemical products distributor Global Pacific Partners (GPP).

Letter of Intent with Gunvor Group

TNG has enhanced its strategic relationship with leasing commodity trading company Gunvor, with the signing of a Letter of Intent (LOI) for the potential offtake of all iron products between the companies in November 2014, which crystallised the MOU announced in June 2014.

MOU with leading vanadium redox-flow batteries manufacturer

TNG has secured the involvement of a leading manufacturer of Vanadium Redox-Flow Batteries (VRB) in the development plans for the Mount Peake Project, both as a potential off-take customer and to examine the feasibility of installing a VRB unit on site to help power the operation.

The growing use of Vanadium Redox-Flow Batteries (VRB's) worldwide is one of the key drivers of projected rapid demand growth for vanadium, given their extremely large storage capacity – which makes them well suited for use in large power storage applications.

The MOU provides a unique opportunity for TNG to partner with one of the world's leading VRB manufacturers, resulting in an integrated approach for the development and sale of the vanadium products from Mount Peake to the high value and fast-growing VRB market, as well as investigation of the feasibility of installing a VRB unit directly at the Mount Peake mine site.

MOU for Mount Peake civil engineering works

TNG has signed a Memorandum of Understanding (MOU) for the Mount Peake Project's civil engineering and construction work with leading Australian industrial, construction and environmental service provider, McMahon Services Australia Pty Ltd, and leading indigenous contractor, Intract Australia Limited.

MOU for solar power options at Mount Peake

TNG has signed a Memorandum of Understanding (MOU) with leading Australian renewable energy group Energy Made Clean Ltd ("EMC") to evaluate and implement energy supply options for the Mount Peake Project, including the potential supply of a state-of-the-art Solar Power System (SPS) to the project.

Strategic agreement with Sinometal for Mount Peake Stage 1 Development

During the reporting period, TNG signed a binding agreement with Sinometal (Shanghai) Co., Ltd., encompassing off-take, financing and strategic assistance for the development of the magnetite from the Mount Peake Project.

The agreement was signed to progress a potential two-stage development scenario that was considered under the Mount Peake Feasibility Study, under which magnetite concentrate would be produced and sold prior to refining to produce an early cash flow for the Company.

In light of the continuing weakness in global magnetite concentrate prices, this two-stage development scenario is no longer being considered and the Company does not intend to progress this agreement with Sinometal to the next stage.

REVIEW OF OPERATIONS

TIVAN® Process

Pilot plant testwork

The pilot metallurgical testwork program for the TIVAN® downstream refinery of the Mount Peake Project was successfully completed during the reporting period, delivering excellent results which have either met or exceeded expectations in all areas.

The TIVAN® testwork program was carried out at the world-class Commonwealth Scientific and Industrial Research Organisation (CSIRO) hydrometallurgical research facilities in Perth, with the appointed team of CSIRO experts providing significant input and improvements to the process before and during the trial.

The program has confirmed the ability to achieve commercial vanadium recoveries of >93% and produce high-purity vanadium pentoxide (V_2O_5) of >99% purity, with high-purity iron oxide and titanium dioxide also recovered as valuable by-products.

An important development arising from these improvements is a significant improvement in titanium dioxide recoveries to >90%, and the ability to obtain a low iron titanium dioxide concentrate of up to 65% purity. This has resulted in TNG and its consultants considering the production of titanium pigment (>90% grade) directly from this concentrate using an industry standard chloride process, allowing the Company to benefit from improved revenues. Titanium pigment currently sells for approximately US\$3000/tonne.

The testwork was conducted using bulk material from the Mount Peake Project, and was designed to prove the full sequence of hydrometallurgical extraction of vanadium, titanium and iron products from the Mount Peake titano-magnetite orebody, as well as to provide key inputs to the final engineering design and scale-up parameters for the fabrication and construction of the TIVAN® refinery.

The testwork program and results have been fully reviewed by Mineral Engineering Technical Services (METS) and global engineering group SMS Siemag, with both groups concluding that the program has demonstrated the technical and commercial viability of the TIVAN® Process.

The patent-pending and enhanced TIVAN® Process yielded significant improvements and value-add considerations in many sections of the refinery process.

The testwork phases were conducted as follows:

- ▶ **Crushing, grinding, beneficiation:** to produce a magnetite concentrate; achieved with positive results.
- ▶ **Feed preparation and pre-processing:** this was completed with positive results with further room for optimisation identified;
- ▶ **TIVAN® Leach phase:** this was completed with positive results with further room for optimisation being identified particularly on scale-up;
- ▶ **Solvent extraction:** Solvent Extraction (SX) feed preparation and SX operation was completed using industry standard unit operations including mixer-settlers, operating conditions and circuit configuration. This section worked extremely well on a continuous basis with all recycles taken into consideration.

Conclusions and Improvements:

Considerable testwork prior to and during the pilot run allowed many significant improvements to be made to the overall process, both in design and operation.

These include:

- ▶ Analytical purity of products obtainable, grading¹:
- ▶ Vanadium Pentoxide: >99%
- ▶ Titanium Dioxide: >65%
- ▶ Iron Oxide: >99%
- ▶ Feed preparation improved the quality of the feed to the TIVAN® leach offering early iron removal opportunity and additional downstream advantages;
- ▶ The higher concentrate feed allowed a higher titanium grade with consequent higher recoveries with higher grade concentrate production;
- ▶ An excellent TIVAN® leaching efficiency was achieved with high extraction of vanadium into the leach solution and excellent deportment of titanium to the leach residue;
- ▶ A new SX feed preparation stage and simpler organic system achieved extraction rates for vanadium of >99% in only 1 minute whilst maintaining excellent selectivity for vanadium over iron;
- ▶ Good continuous operation of the SX circuit with excellent stripping efficiency for vanadium, minimal crud formation or lock-up of metal in the organic phase;

REVIEW OF OPERATIONS

- ▶ The combined feed preparation, leach and SX circuits worked well together and through the piloting a number of further optimisation opportunities have arisen to provide further process efficiencies and cost savings; and
- ▶ Value added improvement have also been identified and are to be incorporated into the design.

¹ Analytical purity of products is based on all test work and analytical assays conducted on TNG samples. Additional validation and optimisation work may result in grade and purity being improved further.

Titanium Dioxide Pigment

The addition of refining the titanium dioxide concentrate through to pigment grade (>90% purity) represents an important improvement for the overall process. The improved recoveries and concentrate grade for TiO₂ are high enough and perfectly ideal for the production of high purity titanium dioxide pigment using an industry standard chloride process.

This provides the Company with an important high-value titanium product rather than a medium-grade product as was previously considered in the PFS. Titanium dioxide pigment is used extensively in chemical and high technology industry for a vast range of industrial and consumer goods. It currently sells for approximately US\$3000/tonne, compared to the US\$400/tonne used in the PFS.

TNG has commissioned Roskill to conduct a complete marketing and price forecast report for titanium and the results indicates a strong market demand with prices to potentially increase to over US\$4000/tonne in 2019.

Other Prospects at Mount Peake

The Company has identified significant other mineralisation potential in the Mount Peake area.

Graphite potential

TNG completed two diamond drill holes targeting graphite mineralisation at Mount Peake during August/ September 2014. The drilling targeted two graphite targets, named BGC1 and G34, and was completed to provide high quality diamond drill core to enable the completion of beneficiation testwork to assess the potential for economic grades to be achieved.

TNG contracted Mineral Engineering Technical Services (METS) to design a metallurgical testwork program to determine if the graphite from Mount Peake could form a saleable concentrate (generally requiring >80% graphite grade). Work involved compositing the individual samples and then a series of flotation/cleaner stages to produce a final concentrate of graphite at a certain size fraction.

Composites of BGC1 and G34 achieved concentrate grades of 60-70% in the initial work, while a second cleaner stage would give significantly improved final concentrate grades. Follow-up testwork was carried out on two BGC1 composites, including a new and higher grade composite (BGC1 HG) – with a grade of over 7% C graphite.

Both these samples returned final concentrate grades in excess of 90% graphite (see Table 4 below), indicating that saleable product could be generated from the BGC1 graphite prospect.

Table 4. Final flotation testwork summary details

Composite	Feed Grade (% Graphite)	Concentrate Grade (% Graphite)	Concentrate Recovery
BGC1	4.26	92.0%	78.0%
BGC1 HG	7.92	93.2%	52.6%

Full details of the metallurgical testwork results are provided in the Company's ASX Announcement dated 4 December 2014.

Futher test work on this project is planned for the coming year subject to Mount Peake development.

REVIEW OF OPERATIONS

Other TNG projects



REVIEW OF OPERATIONS

COPPER

Mount Hardy Copper Project: TNG 100%

The Mount Hardy Copper Project is located within the Mount Hardy Copper Field, located approximately 300km north-west of Alice Springs. The project area is situated on the Mount Doreen (SF52-12) and Mount Theo (SF52-08) 1:250,000-scale sheets. Access to the Mount Hardy tenement is via the Tanami Highway. TNG has been the first exploration company to apply modern geophysical and drilling techniques to this highly prospective and historically known copper prospect. The area has broad strong surface mineralisation and six key prospects have been explored to date, confirming that the surface mineralisation extends to depth, with a further 11 geophysical targets remaining to be followed up. The Company is of the view that the mineralisation at Mount Hardy is similar in style to other identified mineralised prospects including those at KGL's Jervois project and Kidman's Home of Bullion prospect.

The Mount Hardy Copper Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Walabanba Hills Copper JV: TNG earning 51% with potential to increase to 80% (all minerals except uranium)

The Walabanba Joint Venture area lies immediately west of TNG's flagship Mount Peake Strategic Metals Project in the Northern Territory, and is considered highly prospective for copper and nickel mineralisation based on previous exploration results.

The Walabanba Hills Copper Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

McArthur River Copper Project: TNG 100%

The McArthur River tenements, which are located approximately 50km south of McArthur township along the Tablelands Highway, covers part of the prospective McArthur Basin geology, 65km south-west of the McArthur Zinc mine operated by Xstrata, and within the Batten Fault Zone which hosts several other areas of base metal mineralisation, including the recently outlined Teena Deposit (Rox/Teck).

During the reporting period, TNG delineated an extensive zone of high-grade surface copper mineralisation from mapping and rock chip sampling undertaken at the McArthur River Project.

A program of field mapping, soil sampling and rock chip sampling was conducted at the McArthur River Project to follow up the high grade 48% copper analysis located during earlier reconnaissance sampling (see ASX Announcement – 16 February 2015). This work was conducted as part of the ongoing background assessment of the assets, which have been included in the recently approved demerger of Todd River Resources.

The field work has confirmed the very high prospectivity of the McArthur River Project, with these results indicating a newly discovered zone of sedimentary-hosted stratiform copper-silver mineralisation which represents a significant exploration target and potential new mineralisation style for this area.

Sediment-hosted stratiform copper deposits are an important and economically attractive, world-class mineral deposit style. Examples of these are demonstrated by the super-giants of the Kupferschiefer in north-central Europe and the Copper Belt of Central Africa.

The McArthur River Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources. This is consistent with TNG's focus on advancing its world-class Mount Peake Project to development.

Other Projects

Manbarrum Zinc-Lead-Silver Project: TNG 100%

Located 82 kilometres north east of the township of Kununurra in the Northern Territory, The Manbarrum Project comprises three Exploration Licenses and two Authority to Prospect licenses (under section 178) covering a combined area of 407 square kilometres. The Project comprises a series of Mississippi Valley-style lead-zinc-silver deposits which TNG discovered in 2007. Two deposits totalling more than 35Mt of combined zinc-lead-silver mineralisation have been discovered to date, with a number of untested targets.

The Manbarrum Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

REVIEW OF OPERATIONS

Tomkinson Project

The two tenements here should be granted early in 2015 allowing planning for field work in 2015. The target is the Namerinni Formation, at time equivalent of the host sequence from the McArthur River Zn-Pb-Ag-Cu mine in the McArthur Basin to the northeast.

The Tomkinson Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Western Desert Resources Ltd (WDR) Joint Venture: TNG 100%, (WDR earning 51% with scope to earn up to 80%)

The Rover Project covers three granted exploration licences in the lucrative Tennant Creek goldfields, two of which (EL24471 and EL25581) are in joint venture with TNG Ltd and one (EL28128) is 100% held by WDR.

Rover is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Other Projects

The following are also part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources, planned for later this year (see Corporate section below). This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

- ▶ Kintore East Joint Venture: TNG 20%, La Mancha 80%
- ▶ Melville Island Bauxite Project
- ▶ Nickel Cawse Extended Joint Venture: TNG 20%, Mesmeric 80% (The Cawse laterite nickel operation continues to be held on indefinite care and maintenance by Mesmeric Enterprises Pty Ltd.)

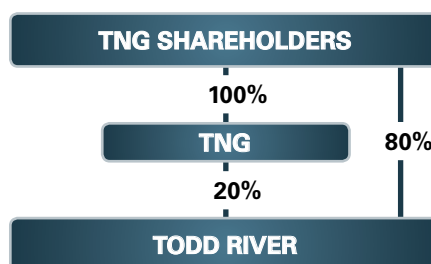
CORPORATE

Planned Demerger of Non-Core Assets

During the reporting period, TNG shareholders approved plans to demerge the Company's non-core portfolio of zinc, copper and base metal assets in the Northern Territory.

The proposed spin-off, via its subsidiary company Todd River Resources (TRR), will see TNG emerge with a minimum of 20 per cent cornerstone stake in the new company with TNG shareholders to hold 80 per cent of the shares via an in-specie distribution.

Structure post in-specie distribution



Following a demerger, Todd River Resources would have one of the largest base metal footprints in the Northern Territory with ownership of a number of advanced assets including the large Manbarrum Zinc Project.

The demerger is consistent with TNG's focus on the development of the Mount Peake Project.

The Company's primary objective in undertaking the spin-out is to separate the NT Base Metal Assets from its other assets and to achieve the following commercial objectives:

- ▶ to allow TNG to concentrate on the development of its flagship asset, the world-class Mount Peake Vanadium-Titanium-Iron Project;
- ▶ to create a separate entity to focus on the future development of the NT Base Metal Assets;
- ▶ to provide separate funding channels for Todd River and the NT Base Metal Assets, thereby allowing the Company to conserve its cash resources for undertaking activities connected with its flagship asset and also enabling each entity to achieve a funding profile more attuned to the stage of development of its respective assets; and
- ▶ to make it easier to raise equity to fund the NT Base Metal Assets.

REVIEW OF OPERATIONS

Capital raisings

During the year, TNG raised \$9.5M through a share placement to institutional and sophisticated investors.

The Company announced plans to raise \$5 million (before costs) on 24 October 2014, however subsequently received commitments for an additional \$500,000 (before costs) over and above the \$5 million. As a result, the offer under TNG's Prospectus released to the ASX on 27 October 2014 was fully subscribed.

Shares were issued under the share placement at a price of \$0.10 each. As part of the placement, investors were also issued with 1 free attaching listed option exercisable at \$0.08 on or before 31 July 2015 (ASX: TNGO) for every 4 shares subscribed for in the placement.

A total of 55,000,005 new shares and 13,750,000 options were issued under the share placement.

The placement was arranged and managed by Hong Kong-based REORIENT Financial Markets Ltd and Melbourne-based CALIBRE Investments, for the offshore offering and the Australian offering respectively.

In addition, TNG secured a further \$4 million through two separate placements to institutional investors.

TNG secured an investment from Trafalgar Capital a strategic Hong Kong and London based institutional investor. The Placement comprised the issue of 15.72 million shares at an issue price of 13 cents per share to raise \$2.04 million (before costs), and was completed under TNG's 15% placement capacity under ASX Listing Rule 7.1. The Placement was settled on 24 April 2015.

The Company then secured a further A\$2 million investment from a leading London and Hong Kong based Institutional investor. This placement, comprising 13.33 million shares at an issue price of 15 cents per share, was settled on 26 May 2015.

The offer from the Institution followed shareholder approval to refresh the Company's placement capacity at the Extraordinary General Meeting on 20 May 2015.

The funds raised from these Placements will be used to progress the development of the companies Mount Peake project.

Research & Development Tax Refund

TNG received a Research & Development refund amounting to approximately \$1.2 million under the Federal Government's R&D tax incentive scheme.

Under the R&D tax incentive scheme, companies with a turnover of less than \$20 million which undertake research & development activities are entitled to a cash refund of 45 cents per dollar spent on eligible research and development in Australia.

This incentive provides direct assistance for companies like TNG to continue their research and development activities with a view to potentially building further value for shareholders. TNG's research relates to the commercial extraction of vanadium, titanium and iron units from vanadiferous titanomagnetite using the Company's 100%-owned TIVAN® hydrometallurgical process.

Davis Samuel

Final judgment has been handed down in the proceedings by the Commonwealth of Australia against TNG and other unrelated parties including former invalidly appointed directors of TNG. Materially, TNG were ordered to pay the Commonwealth \$695,308.10. TNG has paid this sum and accrued interest and will retain the shares and options which it holds in Peninsula Energy Limited (formerly Kanowna Lights Limited) which were the subject of the dispute between it and the Commonwealth.

TNG obtained judgment against other parties in the action for an indemnity against the Commonwealth's claim plus a total of \$3,597,303.02 damages plus costs. It is however doubtful that there will be any substantial recovery of this judgment debt as the Commonwealth also obtained judgment in a greater sum against the same people and companies and they appear to have minimal assets. TNG also has a charge over 2 of the defendant's properties from which they hope to recover \$261,060 in cash plus the right to a court ordered payment of \$37,500 which was received during the period. TNG has a contingent liability to the Commonwealth for costs which is difficult to quantify.

TNG has appealed against the Commonwealth's judgment against it and the other defendants have appealed against the whole of the decision.

The Company also remains in discussions with the Commonwealth on the question of costs.

Cash

At 30 June 2015, the Company had cash of \$5,157,063 (2014: \$4,002,158).

Loss before tax for the year

The loss for the financial year ended 30 June 2015 of TNG was \$5,020,912 (2014 loss: \$3,670,228).

Exploration and evaluation expenditure

TNG has continued its exploration and evaluation program over assets held with its focus on Mount Peake. During the year, payments of \$6,130,959 (2014: \$4,194,052) was made in relation to exploration and evaluation activity.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of TNG Limited. (the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

This Statement was approved by the Board of Directors and is current as at 16 October 2015.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ASX Recommendation 1.1: A listed entity should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Company has complied with this recommendation.

The Board has adopted a formal charter that details the respective Board and management functions and responsibilities. A copy of this Board charter is available in the corporate governance section of the Company's website at www.tnglimited.com.au.

ASX Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director and provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.

The Company has complied with this recommendation.

The Company did not elect any new Directors during the year.

Information in relation to Directors seeking reappointment is set out in the Directors report and Notice of Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has complied with this recommendation.

The Company has in place written agreements with each Director and Senior Executive.

ASX Recommendation 1.4: The company secretary of a listed company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company has complied with this recommendation.

The Board Charter provides for the Company Secretary to be accountable directly to the Board through the Chair.

ASX Recommendation 1.5: A listed entity should:

- ▶ **Have a diversity policy which includes the requirement for the Board to set measurable objectives for achieving gender diversity and assess annually the objectives and the entity's progress to achieving them;**
- ▶ **disclose the policy or a summary of it;**
- ▶ **disclose the measurable objectives and progress towards achieving them; and**
- ▶ **disclose the respective proportions of men and women on the Board and at each level of management and the company as a whole.**

The Company partly complies with this recommendation.

The Company has adopted a Diversity Policy which is available in the corporate governance section of the Company's website at www.tnglimited.com.au.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not practical. The Board will consider setting measurable objectives as the Company increases in size and complexity.

As at 30 June 2015, the Company does not have any female Board members or senior managers (2014: nil). Of the balance of the Company's employees 37% are female (2014: 37%). 23% (2014: 21%) of the Company's employees in total, including Directors, are female.

ASX Recommendation 1.6: A listed entity should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

The Company has complied with this recommendation.

The Company the board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. The chairperson is also responsible for conducting an annual review of overall board performance during a regular meeting of the board.

The Remuneration Committee charter also provides that the Remuneration Committee will make recommendations to the Board, from time to time, in respect of the performance evaluation process for evaluating each of the board, the board committees and individual directors.

A performance review was undertaken during the reporting period.

ASX Recommendation 1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.

The Company has complied with this recommendation.

The Company has in place procedures for evaluating the performance of its senior executives overseen by the Board. These procedures include a review by the Board of the Company's financial performance and an annual performance appraisal meeting with each senior executive.

A performance review was undertaken during the reporting period.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

ASX Recommendation 2.1: The Board of a listed entity should establish a Nomination Committee:

- ▶ ***With at least three members the majority of which are independent Directors;***
- ▶ ***chaired by an independent director; and***
- ▶ ***disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.***

The Company has not complied with this recommendation.

The full Board considers Board composition and identifies and assesses candidates to fill any casual vacancy which may arise from time to time. The Board considers that at this stage no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

ASX Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company has complied with this recommendation.

The Board has established a skill matrix. On a collective basis the Board has the following skills:

Strategic expertise: Ability to identify and critically assess strategic opportunities and threats and develop strategies.

Specific Industry knowledge: Geological qualifications are held by the Managing Director and other members of the Board have a general background and experience in the resources sector including exploration, mineral resource project development and mining.

Accounting and finance: The ability to read and comprehend the Company's accounts, financial material presented to the Board, financial reporting requirements and an understanding of corporate finance.

Legal Compliance: Overseeing compliance with numerous laws, ensuring appropriate legal and regulatory compliance frameworks and systems are in place and understanding an individual Director's legal duties and responsibilities.

Risk management: Identify and monitor risks to which the Company is, or has the potential to be exposed to.

Experience with equity markets: Experience in working in or raising funds from the equity markets.

Funding and project financing: a detailed understanding and experience in working in funding markets and involvement in project funding.

Project development and construction: experience in the development of projects and construction of project infrastructure.

Native Title negotiations: experience in dealing with Traditional Owners and negotiation of Native Title agreements and access agreements to progress the Company's activities.

Investor relations and stakeholder Management: Experience in identifying and establishing relationships with Shareholders, potential investors, institutions, equity analysts and other key stakeholders.

ASX Recommendation 2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent Directors and provide details in relation to the length of service of each Director.

The Company has complied with this recommendation.

Mr Michael Evans, Rex Turkington and Mr Stuart Crow are considered to be independent Directors.

Mr Paul Burton is an Executive Director and is not considered an independent Director as he is employed in an executive capacity.

Messrs Jianrong Xu, who resigned on 15 October 2015, was the nominee director for a substantial shareholder and as such was not considered to be an independent Director.

Mr Zhigang Wang is the nominee director for a substantial shareholder and as such is not considered to be an independent Director.

The respective appointment date of each current Director is:

Michael Evans	30 May 2013
Paul Burton	11 August 2008
Rex Turkington	28 November 2011
Stuart Crow	24 February 2011
Mr Zhigang Wang	18 January 2012

Mr Jianrong Xu was appointed on 24 May 2012 and resigned on 15 October 2015.

CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 2.4: The majority of the Board of a listed entity should be independent Directors.

During the year ended 30 June 2015 the Company did not comply with this recommendation.

Given the size of the Company, the composition of the Board was considered appropriate.

On 15 October 2015 Mr Jianrong Xu, who was not considered to be an independent director, resigned from the Board. Following Mr Xu's resignation the majority of Board members are considered to be independent.

Directors having a conflict of Interest in relation to a particular Item of business must absent themselves from the Board meeting before commencement of discussion on the topic unless other Directors agree to their attendance. Directors having a conflict must absent themselves from the meeting while any decisions are being made on the business.

ASX Recommendation 2.5: The Chair of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

The Company complies with this recommendation.

The Chairperson, Mr. Michael Evans is considered to be an independent Director.

Mr. Paul Burton is Managing Director of the Company.

ASX Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities.

The Company has complied with this recommendation.

The full board has responsibility for the approval and review of induction procedures for new appointees to the Board to ensure that they can effectively discharge their responsibilities. There were no new Directors appointed during the reporting period. The Board is also responsible for the program for providing adequate professional development opportunities for Directors and management.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

ASX Recommendation 3.1: A listed entity should establish a code of conduct and disclose the code or a summary of the code.

The Company has complied with this recommendation.

The Company has established a code of conduct that sets out standards which the Board, management and employees of the Company are to comply with when dealing with each other, shareholders, customers and the broader community.

A copy of the Company's code of conduct is available in the corporate governance section of the Company's website at www.tnglimited.com.au.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: The Board of a listed entity should establish an audit committee:

- ▶ ***With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;***
- ▶ ***chaired by an independent Director; and***
- ▶ ***disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.***

The Company has complied with this recommendation.

The Board has established an Audit Committee and adopted a charter that sets out the committee's role and responsibilities, composition and membership requirements. Currently, Mr. Michael Evans (Chair), Mr. Rex Turkington and Mr. Stuart Crow serve on the Audit Committee.

The role of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and audit process.

The qualifications of the members of the Audit Committee are set out in the Directors report.

A copy of the charter of the Audit Committee is available in the corporate governance section of the Company's website at www.tnglimited.com.au.

Details of the number of meetings of the committee and attendance at those meetings is set out in the Directors Report.

CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company partly complies with this recommendation.

The Board has received the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 31 December 2014 and the full year ended 30 June 2015. Given the size and nature of the Company's operations the Board has not received the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements is sufficient.

ASX Recommendation 4.3: A listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The Company has complied with this recommendation.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: A listed entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has complied with this recommendation.

The Company has established a continuous disclosure policy which forms part of its overall corporate governance policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Managing Director as the person responsible for ensuring that all required price sensitive information is disclosed to the ASX as required. The Managing Director may delegate aspects of administering the continuous disclosure policy to other Directors or Company employees which may be a general delegation or specific to a particular matter.

In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market is posted to its website at www.tnglimited.com.au after ASX confirms an announcement has been made.

A copy of the Company Continuous Disclosure Policy is available in the corporate governance section of the Company's website at www.tnglimited.com.au.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

ASX Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

The Company has complied with this recommendation.

The Company's website at www.tnglimited.com.au contains information about the Company's projects, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual, half year and quarterly reports are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the Company's website.

ASX Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has complied with this recommendation.

The Company's Managing Director is the Company's contact for investors and potential investors and makes himself available to discuss the Company's activities when requested. From time to time the Managing Director may delegate responsibility for dealing with specific investor relations issues to other Directors or Company officers.

In addition to announcements made in accordance with its continuous disclosure obligations the Company, from time to time, prepares and releases general investor updates about the Company.

The Company has engaged the services of an Investor Relations company to assist the Company with its investor relations activities.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's electronic mailing list.

ASX Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company has complied with this recommendation.

The Company encourages participation of shareholders at any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.

The full text of all notices of meetings and explanatory material are posted on the Company's website at www.tnglimited.com.au.

ASX Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

The Company has complied with this recommendation.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's electronic mailing list.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

ASX Recommendation 4.1: The Board of a listed entity should have a committee to oversee risk:

- ▶ ***With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;***
- ▶ ***chaired by an independent director; and***
- ▶ ***disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.***

The Company has not complied with this recommendation.

The full Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include regular reporting to the Board in respect of operations and financial position of the Company and reports to the Board by the Chairman of each committee at the next Board meeting following the committee meeting.

The Board considers that at this stage no efficiencies or other benefits would be gained by establishing a separate Risk Committee.

ASX Recommendation 7.2: The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken.

The Company has complied with this recommendation.

The Board conducted such a review during the reporting period.

ASX Recommendation 7.3: A listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of risk management and internal control processes.

The Company has complied with this recommendation.

Given the Company's current size and level of operations it does not have an internal audit function. The Board oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements and monitors the quality of the accounting function.

In addition the Audit Committee's role is to monitor the integrity of the financial statements of the Company, the appropriateness of accounting policies adopted by the Company and review significant financial reporting judgements. The Audit Committee serves as an independent and objective party to review the financial information submitted by management to the Board.

ASX Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does how it manages or intends to manage those risks.

The Company has complied with this recommendation.

The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle which impact on the price and demand for minerals which affects the sentiment for investment in exploration companies.

There will be a requirement in the future for the Company to raise additional funding to pursue its business objectives. The Company's ability to raise capital may be effected by these economic risks.

The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.

CORPORATE GOVERNANCE STATEMENT

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly when the Mount Peake Project is developed. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Board currently considers that the Company does not have any material exposure to social sustainability risk.

The Company has established a code of conduct that sets out standards which the Board, management and employees of the Company are to comply with when dealing with each other, shareholders, customers and the broader community.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 8.1: The Board of a listed entity should establish a remuneration committee:

- ▶ ***With at least three members the majority of which are independent Directors;***
- ▶ ***chaired by an independent Director; and***
- ▶ ***disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.***

The Company has complied with this recommendation.

The Board has established a Remuneration Committee and adopted a charter that sets out the Remuneration Committee's role and responsibilities, composition and membership requirements. Currently, Mr. Rex Turkington (chair), Mr. Stuart Crow and Mr. Mr Zhigang Wang serve on the Remuneration Committee.

A copy of the committee's charter is available in the corporate governance section of the Company's website at www.tnglimited.com.au.

Details of the number of meetings of the committee and attendance at those meetings is set out in the Directors Report.

ASX Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

The Company has complied with this recommendation.

Non-Executive Directors are paid a fixed annual fee for their service to the Company. Non-Executive Directors may, subject to shareholder approval, be granted equity securities as remuneration. Non-executive Directors may also be paid a fee on a per day rate for services in addition to the normal duties of a non-executive Director.

Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company and potentially the ability to participate in bonus arrangements and may, subject to shareholder approval if appropriate, be granted equity securities as remuneration.

Further information in relation to the Company's remuneration policies and practices are set out in the Remuneration Report which forms part of the Directors Report in the annual financial statements.

ASX Recommendation 8.3: A listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.

The Company has complied with this recommendation.

Participants in any Company equity based remuneration scheme are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

DIRECTORS' REPORT

The Directors present their report together with the financial report of TNG Limited (TNG or the Company) and of the Group, being the Company and subsidiaries for the financial year ended 30 June 2015 and the auditors report thereon.

DIRECTORS

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

Michael Evans B.Bus, ACA, ACIS, AGIA

Acting Independent Non-Executive Chairman

Mr Evans, a Chartered Accountant, is a highly experienced mining and resource industry executive based in Perth who has extensive executive and board level experience with publicly listed companies in the natural resource sector.

He was until recently the founding Executive Chairman of oil explorer and producer FAR Limited (formerly First Australian Resources), a position he held from 1995. Prior to that, Mr Evans was Director of a private Asian Investment company based in Hong Kong pursuing resource opportunities in China.

Between 1983 and 1991, he was Joint Managing Director of Forsayth Group, which he, and his co-Managing Director, built from a junior explorer to become a significant gold producer with interests in five producing mines and two projects mines in Australia and overseas.

Mr Evans is currently non-executive Chairman of ASX and AIM listed 88Energy Limited.

Mr Paul Burton, B.Sc (Hons) Geology (UK), M.Sc Mineral Exploration (Canada), MAusImm, FAEG, MAICD
Managing Director

Mr Burton is an Exploration Geologist/Geochemist with over 25 years' experience in Exploration and Mining.

Mr Burton is experienced in running successful exploration programs for a variety of commodities. He has held consulting and senior management roles with major exploration companies.

Mr Burton has held no other directorships.

Geoffrey Crow

Independent Non-Executive Director

Mr Crow has more than 28 years experience in all aspects of corporate finance, stockbroking and investor relations in Australia and international markets, and has owned and operated his own businesses in these areas for the last sixteen years.

Mr Crow is currently a non-executive director of unlisted company Iron Ridge Resources Limited.

Rex Turkington, BCom(Hons), BCA, GAICD, AAFSI, ADA1(ASX)

Independent Non-Executive Director

Mr Turkington is a highly experienced corporate advisor and economist who has worked extensively in the financial services in Australia, specializing in the exploration and mining sectors. He has extensive experience with equities, derivatives, foreign exchange and commodities, and has participated in numerous corporate initial public offerings and capital raisings for listed exploration and mining companies.

Mr Turkington is currently a Director of an Australian corporate advisory company, offering corporate finance and investor relations advice to listed companies. He holds a first class Honors Degree in economics, is a graduate of the Australian Institute of Company Directors and is an Associate of the Securities Institute of Australia.

Mr Turkington is currently non-executive Chairman of ASX listed Key Petroleum Ltd.

Mr Jianrong Xu

Non-independent Non-executive Director

Mr Xu is Deputy Director-General of the East China Mineral Exploration and Development Bureau (ECMED).

Mr Xu is the current General Manager of ECE, Deputy Managing Director of Jiangsu Geophysical Society, the Chairman of HK ECE, Hong Kong East China Non-Ferrous International, Mineral Development Co Ltd, Namibia East China Non-ferrous Investments Pty Ltd and other OCMED wholly owned subsidiaries.

Mr Xu is also a director of AIM-listed Company, China Africa Resources Plc.

Zhigang Wang

Non-independent Non-Executive Director

Mr Wang is Chairman of Aosu which is part of the Wanlong Group of companies (Wanlong Group) comprising Suzhou Wanlong Electric Group Co. Ltd (Wanlong) and Suzhou Beijia Investment Co Ltd. (Beijia). Wanlong holds 51% of the issued capital of Aosu and Beijia holds the remaining 49%. Mr Wang also holds appointments as Director of Technology Management Department of Wanlong, and is a Director of Beijia.

Mr Wang completed his Bachelor degree in Electrical engineering and automation from Shanghai Electric Power University in 2007, and has gained significant professional experience with major industrial groups in China prior to joining Wanlong and Beijia.

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

Simon Robertson, B.Bus, CA, M Appl. Fin.

Company Secretary

Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied

Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Chartered Secretaries of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

DIRECTORS MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of board meetings held during the time the Director held office	Number of board meetings attended	Number of audit committee meetings held during the time the Director held office	Number of audit committee meetings attended	Number of remuneration committee meetings attended	Number of remuneration committee meetings attended
Michael Evans	10	10	3	3	N/A	N/A
Paul Burton	10	10	N/A	N/A	N/A	N/A
Geoffrey Crow	10	10	3	3	1	1
Rex Turkington	10	10	3	3	1	1
Jianrong Xu	10	7	N/A	N/A	N/A	N/A
Zhigang Wang	10	8	N/A	N/A	1	-

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the exploration and evaluation of its Mount Peake project and Mount Hardy projects; the review of projects for potential acquisition; the management of its other exploration properties and management of its interest such as in the Manbarrum and Cawse Extended Projects.

There were no other significant changes in the nature of the activities of the Group during the year.

REVIEW AND RESULTS OF OPERATIONS

The operating loss of the Group after income tax for the year was \$5,020,912 (2014: loss \$3,670,228). The group spent \$6,130,959 (2014: \$4,194,052) on Exploration and Evaluation expenditure and had a 30 June 2015 closing cash balance of \$5,157,063 (2014: \$4,002,158). A review of the operations during the financial year is set out on pages 2 to 19.

Material Business Risks

The material business risks faced by the Group that are likely to have an effect on the financial prospects of the Group, and how the Group manages these risks, are:

- ▶ Future Capital needs – the Group does not currently generate cash from its operations. The Group will require further funding in order to meet its corporate expenses, continue its exploration activities at its Northern Territory tenements and to finance the development and construction of the company's flagship Mount Peake Project.
- ▶ Exploration and Development Risks – whilst the Group has already discovered Vanadium-Titanium-Iron resources at the Mount Peake Project, the Group may fail to discover additional mineral deposits at its other Northern Territory projects and there is a risk that the Group's mineral deposits may not be economically viable. The Group employs geologists and other technical specialists, and engages external consultants where appropriate to address this risk.

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Material Business Risks (Continued)

- ▶ **Commodity Price and Exchange Rate Risks** – as a Group which is focused on the development of its Vanadium-Titanium-Iron and Copper projects the Group is exposed to movements in these commodity prices, which are quoted in foreign currency. The Group monitors historical and forecast pricing for these commodities from a range of sources in order to inform its planning and decision making.

DIVIDENDS

No dividends were paid during the year and the Directors do not recommend payment of a dividend.

REMUNERATION REPORT - AUDITED

1. Principles of Remuneration

This report details the amount and nature of remuneration of each director of the Company and the executives.

Key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group.

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director and executive objectives with shareholder and business objectives.

The remuneration policy, setting the terms and conditions for the executive Directors and other executives has been developed by the Board and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Board policy is to remunerate Directors and senior executives at market rates for comparable companies for time, commitment and responsibilities. The full Board on advisement from the Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors fees is subject to approval by shareholders at a General Meeting. Fees for non-executive Directors are not linked to the performance of the economic entity. However,

to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may receive options if approved by shareholders.

There is no policy currently in place for the KMP to limit their exposure to risk in relation to the shares held and share options granted as part of their remuneration. All remuneration paid to Directors and executive's is valued at cost to the Company and expensed.

Fixed Remuneration

Fixed compensation consists of base compensation being a flat per month director's fee or person's salary as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the board through a process that considers individual, segment and overall performance of the Group. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes long and short term incentives designed to reward key management personnel for meeting or exceeding specific objectives or as recognition for strong individual performance. The long-term incentives are provided as shares and options over ordinary shares of the Company under the rules of the TNG share and option plans approved by shareholders on 21 November 2012. Short-term incentives are provided in the form of cash bonuses or salary increases as set out in individual employment agreements.

Short-term incentive bonus

Short-term incentives are provided in the form of cash bonuses and/or salary increases. They are used to encourage and reward exceptional performance in the realisation of strategic outcomes and growth in shareholders wealth.

During 2015 the company entered into a new short-term incentive agreement with Mr Burton, under the new agreement Mr Burton will have the ability to receive an incentive bonus based on market capitalisation (MCIB) equivalent to 15% of base salary, payable when the market capitalisation of TNG reaches trigger points set by the Board: \$50 million; \$100 million; \$200 million; \$300 million; \$400 million; \$500 million; and any additional trigger points as agreed in writing between TNG and Mr Burton from time to time.

The incentive will be payable in cash or (subject to shareholder approval) an equivalent amount in TNG shares. If the market capitalisation of TNG remains above a trigger point for a continuous period of at least three months, then base salary will increase (with effect from the end of the three month period) by the amount of the relevant MCIB payment.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

Long-term incentive

Long term incentives comprise of shares and share options which are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholders wealth.

Options

Options are granted for no consideration and do not carry voting rights or dividend entitlements. Options are valued using the Black-Scholes methodology. Option exercise prices are determined based on a premium over and above weighted average share price at grant date. Both the number and exercise price of options issued are at the board's discretion.

Shares

Shares issued under the company share plan cannot be sold, transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue. Shares issued are valued using the Black-Scholes methodology.

The number of shares issued is at the board's discretion.

TNG has issued limited Recourse Loans to the value of shares issued under the plans. The loans are repayable in full by the date which is 5 years after the date of issue of the Plan and are interest free. The loans are however, limited recourse, so if the Plan Shares are sold the proceeds will be taken to repay the loan even if the proceeds are less than the value of the loan.

In the event that vesting conditions are not satisfied, the participant or the company must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share being the higher of the loan amount or sale proceeds from those shares.

Consequence of performance on shareholder wealth

In considering the consolidated entity's performance and benefit for shareholder wealth the Board believe that at this stage of development there is no relevant direct link between revenue & profitability and the advancement of shareholders wealth. For this reason, the group does not currently link revenue and profitability against shareholder wealth.

	2015	2014	2013	2012	2011
Profit/(loss) attributable to owners of the company	(5,020,912)	(3,670,228)	(\$4,617,926)	(\$3,430,360)	(\$2,147,523)
Dividends paid	-	-	-	-	-
Share price at 30 June	\$0.15	\$0.19	\$0.05	\$0.08	\$0.07
Change in share price	(18%)	273%	(36%)	(36%)	14%
Return on capital employed	(5%)	(3%)	(21%)	(13%)	(12%)

Non-executive directors

Fixed remuneration consists of base remuneration being a flat per month director's fee along with long term incentives that may be issued from time to time. Non-executive Directors receive a Directors fee of \$50,000 to \$88,000 (2014: \$50,000): per annum. Shareholders have approved Director's fees of an amount of up to \$500,000 (2014: \$300,000) cash in aggregate per annum.

Directors and executives may also receive either a salary (plus superannuation guarantee contributions as required by law, currently set at 9.50% (2014: 9.50%), or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits except as stated. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation.

Service Contracts

Michael Evans - Acting Chairman

- ▶ Term of Agreement – From appointment on 31 May 2013 until terminated by either party.
- ▶ Directors fees - \$88,000 (increased from \$50,000 with effect from 1 July 2015) per annum excluding super where applicable plus any expense incurred.
- ▶ Early termination – Not applicable.

Paul Burton - Managing Director

- ▶ Term of Agreement – October 2014 until terminated by either party.
- ▶ Salary - \$414,000 (Increased from \$360,000 with effect 31 July 2014) per annum excluding super plus any expense incurred.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

Service Contracts (Continued)

Paul Burton - Managing Director (Continued)

- ▶ Incentive Bonus – An incentive bonus based on market capitalisation (MCIB) equivalent to 15% of base salary, payable when the market capitalisation of TNG reaches trigger points set by the Board: \$50 million; \$100 million; \$200 million; \$300 million; \$400 million; \$500 million; and any additional trigger points as agreed in writing between TNG and Mr Burton from time to time. The incentive will be payable in cash or (subject to shareholder approval) an equivalent amount in TNG shares. If the market capitalisation of TNG remains above a trigger point for a continuous period of at least three months, then base salary will increase (with effect from the end of the three month period) by the amount of the relevant MCIB payment.
- ▶ Early Termination – The Company to give 6 months written notice or make a payment of 6 months' salary in lieu. The employee to provide 6 months written notice. This applies to any reason other than gross misconduct.

Geoffrey Crow - Non-Executive Director

- ▶ Term of Agreement – February 2011 until terminated by either party.
- ▶ Directors fees - \$66,000 (increased from \$50,000 with effect from 1 July 2015) per annum excluding super where applicable plus any expense incurred.
- ▶ Early termination – Not applicable.

Rex Turkington - Non-Executive Director

- ▶ Term of Agreement – November 2011 until terminated by either party.
- ▶ Directors fees - \$77,000 (increased from \$50,000 with effect from 1 July 2015) per annum excluding super where applicable plus any expense incurred.
- ▶ Additional monies are paid to Katarina Corporation Pty Ltd a related entity of Mr Turkington, for consulting services based on a daily rate, and are included in salary and fees.
- ▶ Early termination – Not applicable.

Jianrong Xu - Non-Executive Director

- ▶ Term of Agreement – May 2012 until terminated by either party.
- ▶ Directors fees - \$50,000 per annum excluding super plus any expense incurred.
- ▶ Early termination – Not applicable.

Zhigang Wang - Non-Executive Director

- ▶ Term of Agreement – January 2012 until terminated by either party.
- ▶ Directors fees - \$50,000 per annum excluding super plus any expense incurred.
- ▶ Early termination – Not applicable.

Scott Rauschenberger - Chief Financial Officer

- ▶ Term of Agreement – November 2007 until terminated by either party.
- ▶ Salary - \$168,000 per annum excluding super plus any expense incurred.
- ▶ Early Termination - 2 months written notice or making a payment of 2 month salary in lieu. This applies to any reason other than gross misconduct.

Simon Robertson – Company Secretary

- ▶ Term of Agreement – August 2009 until terminated by either party.
- ▶ Consultancy fee - \$5,500 (increased from \$4,400 with effect from 1 July 2015) per month plus incidental expenses excluding GST is paid to SLR consulting Pty Ltd a related entity of Mr Robertson.
- ▶ Early Termination - 3 months written notice by either party.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

2. Directors and Executives officers remuneration

Details of the nature and amount of each major element of remuneration of each key management personnel are:

Directors Remuneration for the year ended 30 June 2015

Consolidated		Short Term		Post-Employment	Long Term		Value of options as a proportion of remuneration
Directors		Salary & Fees	Bonus	Super-annuation	Share-based Payment -Shares/Options	Other ¹	
		\$	\$	\$	\$	\$	
							%
Michael Evans <i>Acting Chairman</i>	2015	50,000	-	-	114,674	-	70%
	2014	50,000	-	-	59,726	-	59%
Paul Burton <i>Managing Director</i>	2015	407,031	108,000	38,668	178,866	31,681	23%
	2014	385,539	-	35,711	288,367	521	41%
Geoffrey Crow <i>Non-executive</i>	2015	50,000	-	-	97,759	-	66%
	2014	50,000	-	-	111,162	-	69%
Rex Turkington <i>Non-executive</i>	2015	63,000	-	-	97,759	-	61%
	2014	50,000	-	-	111,162	-	69%
Jianrong Xu <i>Non-executive</i>	2015	50,000	-	-	-	-	-
	2014	50,000	-	-	-	-	-
Zhigang Wang <i>Non-executive</i>	2015	50,000	-	-	91,315	-	65%
	2014	50,000	-	-	73,414	-	59%
Total	2015	809,712	108,000	38,668	580,373	31,681	41%
	2014	636,060	-	35,711	643,831	-	49%

¹ Includes accrued annual leave not taken over and above base salary detailed within the service contracts section above

Remuneration of key management personnel for the year ended 30 June 2015

Consolidated		Short Term		Post-Employment	Long Term		Value of options as a proportion of remuneration
Executives		Salary & Fees	Bonus	Super-annuation	Share-based Payment -Shares/Options	Other ¹	
		\$	\$	\$	\$	\$	
							%
Scott L Rauschenberger <i>Chief Financial Officer</i>	2015	168,000	-	15,960	-	12,277	-
	2014	168,000	-	15,600	46,921	24,657	18%
Simon L Robertson <i>Company Secretary</i>	2015	64,441	-	-	23,908	-	27%
	2014	62,392	-	-	51,251	-	45%
Total	2015	232,411	-	15,960	23,908	12,277	8%
	2014	248,097	-	15,600	98,172	6,952	27%

¹ Includes accrued annual leave not taken over and above base salary detailed within the service contracts section above.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remunerated to each director of the Company, and other key management personnel are detailed below.

	Short-term incentive bonus		
	Included in remuneration \$ (A)	% vested in year	% forfeited in year (B)
Paul Burton	108,000	100%	-

(A) Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of specified criteria. The remuneration committee approved these amounts on 14 November 2014

3. Shares and options granted as part of remuneration

Details of shares and options in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Issue	Grant date/ participant entitled	Number	Vesting conditions	Contractual life of option/ Limited recourse share loan
1	Shares granted to Paul Burton on 26 November 2014	4,000,000	1 years' service	5.0 years
2	Shares granted to Michael Evans on 26 November 2014	2,000,000	1 years' service	5.0 years
2	Shares granted to Geoffrey Crow on 26 November 2014	2,000,000	1 years' service	5.0 years
2	Shares granted to Rex Turkington on 26 November 2014	2,000,000	1 years' service	5.0 years
2	Shares granted to Zhigang Wang on 26 November 2014	2,000,000	1 years' service	5.0 years
3	Shares granted to Simon Robertson on 20 December 2014	500,000	1 years' service	5.0 years

The fair value of equity share options granted is estimated at the grant dates using the Black Scholes model, taking into account the terms and conditions upon which the options are granted.

Instruments issued during the period

Shares and Loans issued under TNG Employee Share Plan and TNG Non-Executive and Consultant Share Plan

13,500,000 shares were issued under the terms of the TNG share plans which were approved by shareholders on 21 November 2012 including 12,500,000 to key management personnel. The Plan Shares issued cannot be sold transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue.

TNG has issued limited Recourse Loans to the value of shares issued under the plans. The loans are repayable in full by the date which is 5 years after the date of issue of the Plan and are interest free. The loans are however, limited recourse, so if the Plan Shares are sold the proceeds will be taken to repay the loan even if the proceeds are less than the value of the loan.

In the event that vesting conditions are not satisfied the participant must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share Plan.

The ability to exercise the plan shares is conditional upon the employee or consultant remaining employed or contracted to the company. If this performance hurdle is met the shares will be unencumbered after 12 months aiding with staff retention.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

3. Shares and options granted as part of remuneration (continued)

The following inputs were used in the measurement of the fair values at grant of the shares and loans:

	Issue 1	Issue 2	Issue 3
Dividend yield	0.00%	0.00%	0.00%
Share price at date of grant	\$0.085	\$0.085	\$0.078
Exercise price	\$0.143	\$0.087	\$0.079
Volatility	95%	95%	95%
Risk free rate	2.64%	2.64%	2.64%
Expiration date	26 Nov 2019	26 Nov 2019	20 Dec 2019
Black Scholes valuation	\$0.056	\$0.062	\$0.057

4. Exercise of options granted as compensation

During the period 677,777 options were exercised by key management personnel, refer section 9 of the remuneration report.

5. Analysis share rights over equity instruments granted as compensation

Details on shares and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the period are as follows:

	Number of share rights granted during 2015 ⁽ⁱ⁾	Grant date	Fair value per option at grant date (\$)	Expiry date	Number of options and share rights vested during 2015
Directors					
Paul Burton	4,000,000	26 Nov 2014	\$0.056	26 Nov 2019	-
Michael Evans	2,000,000	26 Nov 2014	\$0.062	26 Nov 2019	-
Geoffrey Crow	2,000,000	26 Nov 2014	\$0.062	26 Nov 2019	-
Rex Turkington	2,000,000	26 Nov 2014	\$0.062	26 Nov 2019	-
Zhigang Wang	2,000,000	26 Nov 2014	\$0.062	26 Nov 2019	-
Executives					
Simon Robertson	500,000	20 Dec 2014	\$0.057	20 Dec 2019	-

(i) This relates to shares issued under the TNG Employee Share Plan, refer to note 24(a).

All ordinary shares issued under the company's share plan during 2015 are entitled to one vote per share at shareholders' meetings.

All shares issued under the share purchase plan expire on the earlier of their expiry date or termination of the individuals employment. The ability to exercise the plan shares is conditional upon the employee or consultant remaining employed or contracted to the company. If these performance hurdles are met, the shares will be unencumbered after 12 months.

All options expire on the earlier of their expiry date or termination of the individual's employment. All options were granted during the financial year. No options have been granted since the end of the financial year.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

6. Analysis of movements in share rights

Details of vesting profiles of the shares and options granted as remuneration to each key management person of the Group are detailed below.

	Number of share rights granted during 2015 ⁽ⁱ⁾	Grant date	% vested in year	% forfeited in year	Date on grant vests	Expired
Directors						
Paul Burton	4,000,000	26 Nov 2014	-	-	26 Nov 2015	-
Michael Evans	2,000,000	26 Nov 2014	-	-	26 Nov 2015	-
Geoffrey Crow	2,000,000	26 Nov 2014	-	-	26 Nov 2015	-
Rex Turkington	2,000,000	26 Nov 2014	-	-	26 Nov 2015	-
Zhigang Wang	2,000,000	26 Nov 2014	-	-	26 Nov 2015	-
Executives						
Simon Robertson	500,000	20 Dec 2014	-	-	20 Dec 2015	-

⁽ⁱ⁾ This relates to shares issued under the TNG Employee Share Plan, refer to note 22(a).

The movement during the reporting period, by value, of shares rights or options over ordinary shares in the Company held by each key management person is detailed below.

	Granted in year \$ (A)	Value of share rights exercised in year \$	Lapsed in year \$	Number of share rights expired in the year (B)
Directors				
Paul Burton	224,000	-	-	-
Michael Evans	124,000	-	-	-
Geoffrey Crow	58,000	-	-	-
Rex Turkington	58,000	-	-	-
Zhigang Wang	58,000	-	-	-
Executives				
Simon Robertson	28,500	-	-	-

(A) The value of share rights or options granted in the year is the fair value of the options calculated at grant date using the Black Scholes options-pricing model. The total value of the options granted is included in the table above. The amount is allocated to remuneration over the vesting periods.

7. Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

8. Options over equity instruments

	Held at 1 July 2014	Granted as remuneration	Expired	Exercised	Sold	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
Directors								
Paul Burton	166,666	-	-	(166,666)	-	-	-	-
Michael Evans	2,111,111	-	-	(111,111)	-	2,000,000	-	2,000,000
Geoffrey Crow	166,666	-	-	-	-	166,666	-	166,666
Rex Turkington	166,666	-	-	-	-	166,666	-	166,666
Jianrong Xu	-	-	-	-	-	-	-	-
Zhigang Wang	4,000,000	-	-	(400,000)	-	3,600,000	2,000,000	3,600,000
Executives								
Scott Rauschenberger	518,556	-	-	-	(518,556)	-	-	-
Simon Robertson	-	-	-	-	-	-	-	-

9. Movements in shares

	Held at 1 July 2014	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2015
Directors						
Paul Burton	9,083,333	-	166,666	-	4,000,000	13,249,999
Michael Evans	2,507,937	-	111,111	-	2,000,000	4,619,048
Geoffrey Crow	4,870,538	-	-	-	2,000,000	6,870,538
Rex Turkington	5,721,333	-	-	-	2,000,000	7,721,333
Jianrong Xu	-	-	-	-	-	-
Zhigang Wang	59,808,643	-	400,000	(3,500,000)	2,000,000	58,708,643
Executives						
Scott Rauschenberger	2,937,112	-	-	(400,000)	-	2,537,112
Simon Robertson	1,750,000	-	-	-	500,000	2,250,000

10. Other transactions with key management personal

Key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

Some of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personal related entities on an arms length basis.

The audited remuneration report ends here.

DIRECTORS' INTERESTS

DIRECTORS' REPORT

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Group and other related body corporates, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over Ordinary Shares
Michael Evans	4,619,048	2,000,000
Paul Burton	13,249,999	-
Geoffrey Crow	7,037,204	-
Rex Turkington	7,887,999	-
Zhigang Wang	58,708,643	3,600,000
Jianrong Xu	-	-

Options granted to directors and officers of the company

During or since the end of the financial year the company did not grant any options to Directors or executives other than those set out at section 5 of the remuneration Report.

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of unlisted options
26 November 2015	\$0.235	1,600,000
26 November 2016	\$0.057	4,000,000
6 June 2017	\$0.150	4,500,000
4 January 2017	\$0.150	1,000,000

Shares issued on exercise of options

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options as follows. There are no amounts unpaid on the shares issued.

Number of shares	Amount paid each share
60,493,457	\$0.08

LIKELY DEVELOPMENTS

The Group will continue to develop its Northern Territory exploration portfolio whilst advancing its Mount Peake Vanadium-Titanium-Iron project.

Additional comments on likely developments of the Group are included under the review of operations and activities and subsequent events of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has agreed to indemnify current and former Directors and officers against all liabilities to another person (other than the Group or a related body corporate), including legal expenses that may arise from their position as Directors and officers of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for a pecuniary penalty under section 1317G or a compensation order under section 1317H of the Corporations Act 2001.

ENVIRONMENTAL REGULATIONS

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulation with respect to the rehabilitation of areas disturbed during the course of its exploration activities. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

INSURANCE PREMIUMS

During and since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$14,065 (2014: \$11,815) exclusive of GST.

DIRECTORS' REPORT

EVENTS SUBSEQUENT TO REPORTING DATE

TIVAN® Pilot Plant completed

On 8 July 2015 TNG announced that the pilot metallurgical test work program for the TIVAN® downstream refinery of its flagship Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory had been successfully completed, delivering excellent results which either met or exceeded expectations in all areas.

Mount Peake Feasibility Results

On 31 July 2015 TNG announced that the Definitive Feasibility Study (DFS) for its 100%-owned Mount Peak Vanadium-Titanium-Iron project in the Northern Territory had delivered exceptional result. The DFS stated Mount Peake would generate a pre-tax internal rate of return (IRR) of 41% based on a pre-production capital cost of A\$970 million, total estimated life-of-mine net cash flow of A\$11.6 billion and operating cash flows of \$13.6 billion over an initial 17 year project life.

Option Conversion

On 4 August 2015 TNG finalised the conversion of its TNGO (\$0.08) listed options. 51,618,735 options were converted post 30 June 2015 resulting in an increase to share capital with cash proceeds of \$4,219,498.

ROUNDING

The Group is of a kind referred to in ASIC class order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the consolidated statements and directors report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NON AUDIT SERVICES

KPMG, the Group's auditor, did not provide any non-audit services during the year.

AUDITOR INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 40 of the financial report and forms part of the Directors' report for the financial year ended 30 June 2015.

Signed in accordance with a resolution of the Directors.



Paul Burton

Managing Director

24 September 2015

AUDITOR'S INDEPENDENCE DECLARATION



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

To: the directors of TNG Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

A blue ink signature of Trevor Hart, written in a cursive style.

KPMG

A blue ink signature of Trevor Hart, written in a cursive style.

Trevor Hart
Partner

Perth

24 September 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
Other income		69	36
Total income		69	36
Corporate and administration expenses	6(b)	(3,119)	(1,728)
Employment expenses	6(c)	(1,321)	(1,683)
Depreciation and amortisation expenses		(98)	(111)
Impairment loss on exploration	13	(668)	(283)
Impairment loss on available-for-sale investments		-	(23)
Results from operating activities		(5,137)	(3,795)
Financial income	6(a)	124	138
Financial expenses	6(a)	(8)	(13)
Net financing income		116	125
Loss before income tax		(5,021)	(3,670)
Income tax expense	8	-	-
Loss for the year attributable to the owners of the Company		(5,021)	(3,670)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the value of available for sale financial assets		79	2
Tax effect on other comprehensive income		-	-
Other comprehensive loss for the year		79	2
Total comprehensive loss for the year attributable to the owners of the company		(4,942)	(3,668)
Loss per share (cents per share)			
Basic (loss) per share (cents)	9	(0.83)	(0.71)
Diluted (loss) per share (cents)	9	(0.83)	(0.71)

The Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	11	5,157	4,002
Trade and other receivables	12	487	311
Prepayments		67	91
Available for sale investments		81	2
Total current assets		5,792	4,406
Non-current assets			
Plant and equipment		125	187
Exploration and evaluation expenditure	13	24,020	19,390
Total non-current assets		24,145	19,577
Total assets		29,937	23,983
Current liabilities			
Trade and other payables	14	872	730
Provisions	15	187	146
Total current liabilities		1,059	876
Total liabilities		1,059	876
Net assets		28,878	23,107
Equity			
Issued capital	16	56,147	46,232
Reserves		79	-
Accumulated losses		(27,348)	(23,125)
Total equity		28,878	23,107

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Cash payments in the course of operations		(4,056)	(2,103)
Interest received		127	137
Net cash used in operating activities	21	(3,929)	(1,966)
Cash flows from investing activities			
Proceeds from sale of shares		-	62
Payments for plant and equipment		(36)	(43)
Payments for exploration and evaluation expenditure		(6,131)	(4,194)
Research and development rebate		1,276	3,196
Security deposits refunded/(paid)		60	(22)
Net cash used in investing activities		(4,831)	(1,001)
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options	16(a)	10,514	4,568
Share issue costs		(599)	(194)
Net cash received from financing activities		9,915	4,374
Net increase in cash and cash equivalents		1,155	1,407
Cash at the beginning of the financial year		4,002	2,595
Cash and cash equivalents at the end of the financial year	11	5,157	4,002

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Issued Capital \$'000	Accumulated loss \$'000	Fair value reserve \$'000	Total Equity \$'000
At 1 July 2013	41,858	(20,625)	(2)	21,231
Loss for the year	-	(3,670)	-	(3,670)
Other comprehensive income	-	-	2	2
Total comprehensive income	-	(3,670)	-	(3,668)
Transactions with owners recorded directly in equity				
Share placement	3,070	-	-	3,070
Share purchase plan	1,168	-	-	1,168
Share issue costs	(194)	-	-	(194)
Options exercised	4	-	-	4
Share based payments expense	-	1,170	-	1,170
Loan funded share plan – loan repayment	326	-	-	326
At 30 June 2014	46,232	(23,125)	-	23,107
At 1 July 2014	46,232	(23,125)	-	23,107
Loss for the year	-	(5,021)	-	(5,021)
Other comprehensive income	-	-	79	79
Total comprehensive income	-	(5,021)	79	(4,942)
Transactions with owners recorded directly in equity				
Share placement	9,544	-	-	9,544
Share issue costs	(599)	-	-	(599)
Share based payments expense	-	798	-	798
Loan funded share plan – loan repayment	166	-	-	166
Options exercised	804	-	-	804
At 30 June 2015	56,147	(27,348)	79	28,878

The amounts recognised directly in equity are disclosed net of tax.

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

TNG Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 282 Rokeby Road Subiaco, Western Australia 6008. The consolidated financial report of the Company as at and for the year ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for profit entity and primarily is involved in the exploration of minerals within Australia.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- ▶ financial instruments at fair value through profit or loss are measured at fair value ;
- ▶ available-for-sale financial assets are measured at fair value; and
- ▶ share based payments are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of all entities in the Group. All values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

(d) Use of estimates and judgements

Set out below is information about:

- ▶ Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and

- ▶ Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Critical Judgements

Estimates and assumptions

(i) Exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties.

The Group undertakes at each reporting date, a review for indicators of impairment of these assets. Should an indicator of impairment exist, there is significant estimation and judgments in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review included:

- ▶ Recent drilling results and reserves/resource estimates;
- ▶ Environmental issues that may impact the underlying tenements;
- ▶ The estimated market value of assets at the review date;
- ▶ Independent valuations of underlying assets that may be available;
- ▶ Fundamental economic factors such as mineral prices, exchange rates and current and anticipated operating cost in the industry; and
- ▶ The group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate.

Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(g), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss in accordance with accounting policy 3(h). The carrying amounts of exploration and evaluation assets are set out in note 15.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

(ii) Share based payments

The share based payments are recognised in accordance with the Company's accounting policy (refer note 3(i)(ii)) where the value of the share based payment is expensed from the grant date to vesting date. This valuation includes estimates and judgements about volatility, risk free rates, dividend yields, and underlying share price. Changes in these estimates and assumptions could impact on the measurement of share based payments.

(e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates, if not consumed or sold by the associate, when the Group's interest in such entities is disposed of.

(iii) Investment in joint operations

A joint operation is an arrangement in which partners with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, all of its assets, liabilities, reserves must be recognised, including its relevant share of jointly controlled assets, liabilities, revenue and expenses.

(b) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at statement of financial position date.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss. In respect of taxable temporary differences associated with investments in subsidiaries and associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. When the deductible temporary difference is associated with investments in subsidiaries and associates in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is TNG Limited.

The current and deferred tax amounts for the tax-consolidated group are allocated among the companies in the group using a group allocation approach whereby each company in the tax-consolidated group is allocated current and deferred taxes in a systematic manner which is consistent with the broad principles of AASB 112, based on the underlying tax effect of transactions and balances within those companies.

In order to determine the allocation of current and deferred tax amounts allocated to the companies, each company prepares a tax calculation which includes the tax effect of inter-company transactions that are part of the group's normal business activities but excludes inter-company dividends and any capital gains arising on the intra group transfer of assets that would occur but for the parties being members of the tax consolidated group.

Current tax expense / income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to / from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable / (payable) equal in amount to the tax liability / (asset) assumed. The inter-entity receivables / (payables) are at call.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goods and services tax

- (i) Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- (ii) Receivables and payables are stated with the amount of GST included;
- (iii) The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet;
- (iv) Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows; and
- (v) Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in note 3(m).

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group

and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	4 years
Plant and equipment	3 to 8 years
Fixtures and fittings	3 to 8 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(e) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Australian dollars at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(f) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade dates, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(l).

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h) and foreign exchange gains and losses on available-for-sale monetary items (see note 3(e)), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest method.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

(ii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(h) Intangible assets

Exploration and evaluation assets

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- a) The rights to tenure of the area of interest are current; and
- b) At least one of the following conditions is also met:
 - (i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; or
 - (ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, costs are expensed as incurred.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The company performs impairment testing in accordance with accounting policy 3(h)(iii).

(i) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised in profit and loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation of amortisation, if no impairment loss had been recognised.

(j) Employee benefits

(i) Share based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The loan funded share plan allows certain Group employees to acquire shares of the Company. Employees have been given a limited recourse 5 year interest free loan in which to acquire the shares. The loan has not been recognised in the statement of financial position as the Company only has recourse to the value of the shares. The arrangement is accounted for as an in-substance option over ordinary shares. The grant date fair value of the shares granted to employees is recognised as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the shares. The fair value of the loan funded shares granted are measured using the Black Scholes pricing model, taking into account the terms and conditions upon which the in-substance options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

(ii) Short term benefit

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Defined contribution funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss as incurred.

(k) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares, which comprise convertible notes and share options granted to employees.

(l) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(m) Income and Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the term of lease.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrued, using the effective interest method.

Finance expenses comprise interest expense on borrowings and loss on held for trading investments. All borrowing costs are recognised in profit or loss using the effective interest method.

(iv) Government grants

The Group recognises the refundable research and development tax incentive (received under the tax legislation passed in 2011) as a government grant. This incentive is refundable to the Group regardless of whether the Group is in a tax payable position and is deducted against capitalised exploration and evaluation expenditure. Government grants are recognised when there is reasonable assurance that (a) the Group will comply with the conditions attaching to them; and (b) the grants will be received.

(n) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases which are not recognised on the Group's Statement of Financial Position.

(o) Segment reporting

Segment results that are reported to the Group's Managing Director (the chief operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group operated predominately in one business segment and in one geographical location in both current and previous years.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) New Australian Accounting standards and interpretations issued but not yet adopted

A number of new standards, amendments to standards and interpretations are available for early adoption for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following standards which become mandatory from 1 July 2014. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

(i) AASB 9 *Financial Instruments*: applicable to annual reporting periods beginning on or after 1 July 2018.

This standard includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.

An assessment of the Group's financial assets and liabilities was performed to determine whether the change in standard would affect the classification and measurement of financial instruments currently held. The new standard is not expected to impact the measurement of TNG's financial assets and liabilities. Additional disclosure requirements will be incorporated on adoption of the standard.

(j) AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation*: applicable to annual reporting periods beginning on or after 1 July 2016.

AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Currently the Group does not have a revenue-based policy to calculate the depreciation of an asset and therefore adoption of this standard is expected not to impact the financial statements of the Group.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- ▶ AASB15 *Revenue from Contracts with Customers*.
- ▶ AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*.

(q) Changes in accounting policy

TNG has adopted all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant and effective for reporting periods beginning on or after 1 July 2014. The Group applied for the first time AASB 2013-3 *Recoverable amount disclosures for non-financial assets*, AASB 1031 *Materiality* and AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle*. Several other amendments apply for the first time in 2015 however they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of certain new standards and amendments are described below:

(i) AASB 1031 *Materiality*: adopted on 1 July 2014.

The revised AASB 1031 *Materiality* is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 *Materiality* will be withdrawn when references to AASB 1031 *Materiality* in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031 *Materiality*.

Application of AASB 1031 *Materiality* has not impacted the financial statements of the Group.

(ii) AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* contains three main parts which make amendments to a number of standards and interpretations.

- ▶ Part A of the amendment makes consequential amendments arising from the issuance of AASB CF 2013-1, which was adopted in the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ▶ Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also minor editorial amendments to various other standards adopted on 1 July 2014.
- ▶ Part C makes amendments to a number of Australian Accounting Standards, incorporating Chapter 6 Hedge Accounting into AASB 9 *Financial Instruments* applicable to annual reporting periods beginning on or after 1 July 2015.

Parts A and B of this amendment have been adopted by TNG and have not materially impacted the financial statements of the Group. TNG will continue to prepare financial statements and apply materiality in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 101 *Presentation of Financial Statements*.

Part C of this amendment relates to incorporation of hedge accounting into AASB 9. Adoption of this part of the amendment is not expected to have a significant impact on the Group as there is currently no hedge accounting policy in place.

(iii) AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle*: adopted on 1 July 2014.

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements process. The following items are addressed by this standard:

- ▶ AASB 2 *Share-Based Payments* - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- ▶ AASB 3 *Business Combinations* - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.
- ▶ AASB 8 *Operating Segments* - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.

- ▶ AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangibles* - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- ▶ AASB 124 *Related Party Disclosures* - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 *Related Party Disclosures* for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Adoption of these standards has not had a significant impact on the Group's financial statements. The change in definition under AASB 2 *Share-Based Payments* to 'performance condition' does not impact the valuation or share-based payment expense as the conditions included within these plans meet the definition of a 'performance condition'. Application of other amendments of AASB 2014-1 *Annual improvements to IFRS's 2010-2012 Cycle* has not materially impacted the financial statements of the Group, however, additional disclosures may be required in future periods, if applicable.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Equity investments

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(ii) Other receivables, trade and other payables

Other receivables, trade and other payables are short term in nature. As a result, the fair value of these instruments is considered to approximate its fair value.

NOTES TO THE FINANCIAL STATEMENTS

4 DETERMINATION OF FAIR VALUES (CONTINUED)

(iii) Share-based payment transactions

The fair value of employee options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5 FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and cash and cash equivalents. For the Company it also arises from receivables due from subsidiaries.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the statement of financial position date there were no significant concentrations of credit risk for the Group other than cash and the Research and Development receivable, received since year-end.

Cash and cash equivalent

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities it does not carry a material balance of trade receivables and therefore is not exposed to credit risk in relation to trade receivables. A Research and Development receivable contained in other receivables was received since year-end.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of loans to subsidiaries and investments. This is recorded in the Company and has no effect on the Group and as it eliminates on consolidation. The management does not expect any counterparty to fail to meet its obligations. Other receivables mainly comprise of GST receivables.

NOTES TO THE FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated Carrying amount	
		2015 \$'000	2014 \$'000
Trade and other receivables	12	487	311
Cash and cash equivalents	11	5,157	4,002
		5,644	4,313

None of the Group's trade and other receivables are past due (2014: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 30 June 2015				
	Note	Carrying amount \$'000	Contractual cash flows \$'000	<3 months \$'000
Trade and other payables	14	872	(872)	(872)
		872	(872)	(872)
30 June 2014				
	Note	Carrying amount \$'000	Contractual cash flows \$'000	<3 months \$'000
Trade and other payables	14	730	(730)	(730)
		730	(730)	(730)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

NOTES TO THE FINANCIAL STATEMENTS

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents and loans and borrowings), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in high interest bearing accounts.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	Consolidated Carrying amount	
		2015 \$'000	2014 \$'000
Variable rate instruments			
Cash and cash equivalents	11	3,157	1,002
Fixed rate instruments			
Cash and cash equivalents	11	2,000	3,000
Security deposits	12	141	201
		2,141	3,201

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased the Group's equity and profit or loss by \$31,571 (2014: \$10,021)

Sensitivity analysis

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Capital Management

The Group has defined its capital as paid up share capital net of accumulated losses.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets or reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

6 INCOME AND EXPENSES

	Note	Consolidated	
		2015 \$'000	2014 \$'000
(a) Net financial income			
Interest income		124	138
Finance income		124	138
Loss on sale of available for sale investments		-	(13)
Interest expense		(8)	-
Finance expense		(8)	(13)
Net finance income		116	125
(b) Corporate and Administration expenses			
Travel and accommodation		408	250
Directors fees		250	250
Legal fees		286	296
Promotional		303	241
Contractors and consultancy		496	218
Occupancy		290	305
Occupancy on-charges		(153)	(170)
Legal Judgment – Davis Samuel		695	-
Other		544	337
Total Corporate and Administration		3,119	1,728

The Group invoiced other parties \$153,000 (2014: \$170,000) for the reimbursement of office costs during the year and incurred \$214,000 (2014: \$211,000) in operating lease expenses.

(c) Employment expenses			
Wages and salaries ¹		467	378
Other associated personnel expenses		7	2
Increase in liability for long service leave		12	100
Contributions to defined contribution plans		37	36
Equity settled share- based payment transaction	22	798	1,170
Total Employment expenses		1,321	1,686

¹ Total Wages and Salaries incurred during the year including amounts capitalised to exploration and evaluation was \$1,343,000 (2014: \$1,384,000).

NOTES TO THE FINANCIAL STATEMENTS

7 AUDITORS' REMUNERATION

	Consolidated	
	2015 \$	2014 \$
Auditors of the Group <i>KPMG Australia</i> :		
Audit and review of financial reports	49,340	48,000
	49,340	48,000

8 INCOME TAX

	Consolidated	
	2015 \$'000	2014 \$'000
A reconciliation between tax expense and pre-tax loss:		
Accounting (loss) before income tax	(5,021)	(3,670)
At the domestic tax rate of 30% (2014: 30%)	(1,506)	(1,101)
<i>Reconciling items</i>		
Share-based payments – non deductible for income tax purposes	239	351
Other non-deductible expenses	231	26
Adjustment for prior year	456	-
Tax losses and temporary differences not brought to account	580	724
Accounting expenditure subject to research and development claim	-	-
Income tax expense reported in the income statement	-	-
Unused tax losses	38,410	31,873
Potential tax benefit @ 30%	11,523	9,562
Tax losses offset against tax liabilities	(6,422)	(5,041)
Unrecognised tax benefit	5,101	4,521
Reconciliation of income tax expense		
Current tax expense	-	-
Other comprehensive income	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS

8 INCOME TAX (CONTINUED)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits net of deferred tax liabilities attributable to tax losses (both consolidated and Parent Entity) have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefits of these tax losses will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

Deferred income tax

Statement of financial position	Consolidated	
	2015 \$'000	2014 \$'000
Deferred income tax relates to the following:		
<i>Deferred Tax Liabilities</i>		
Exploration and evaluation assets	6,493	5,106
Other	-	-
<i>Deferred Tax Assets</i>		
Other	(71)	(65)
Brought forward tax losses offset against deferred tax liabilities	(6,422)	(5,041)
	-	-

Tax Consolidation Legislation

TNG Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 3(c).

The entities have not entered into a tax funding agreement.

NOTES TO THE FINANCIAL STATEMENTS

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2015 was based on the loss attributable to ordinary shareholders of \$5,021,000 (2014: loss \$3,670,000) and a weighted average number of ordinary shares on issue during the year ended 30 June 2015 of 604,017,778 (2014: 518,442,381).

Loss attributable to ordinary shareholders

	2015 \$'000	2014 \$'000
(Loss) for the period	(5,201)	(3,670)
(Loss) attributable to ordinary shareholders	(5,201)	(3,670)

Weighted average number of ordinary shares

	2015 Numbers	2014 Numbers
Number of ordinary shares at 1 July	553,998,647	447,421,428
Effect of shares issued	50,019,131	71,020,953
Weighted average number of ordinary shares at 30 June	604,017,778	518,442,381

Effect of dilutive securities

TNG's potential ordinary shares at 30 June 2015, being its options, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

At balance date the Group has options which were not yet exercised as per note 16.

10 SEGMENT INFORMATION

The Board has determined that the Group has one reportable segment, being mineral exploration in Australia. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted consolidated results.

This internal reporting framework is the most relevant to assist the Board in making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

All of the Groups assets are located in one geographical segment being Australia.

NOTES TO THE FINANCIAL STATEMENTS

11 CASH AND CASH EQUIVALENTS

	Consolidated	
	2015 \$'000	2014 \$'000
Cash at bank	3,157	1,002
Short term deposits	2,000	3,000
	5,157	4,002

12 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Current		
Trade receivables	45	21
Other receivables	3	7
Short term security deposits	141 ¹	201
GST receivables	298	81
	487	311

¹ Bank short term deposits maturing 362 days are paying interest at a weighted average interest rate of 2.92% (2014: 2.91%).

NOTES TO THE FINANCIAL STATEMENTS

13 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2015 \$'000	2014 \$'000
Cost		
Balance at 1 July	19,390	16,802
Exploration and evaluation expenditure	6,574	2,871
Research and development rebate	(1,276)	-
Impairment	(668)	(283)
Balance at 30 June	24,020	19,390
Exploration expenditure capitalised during the year		
Drilling and exploration	1,655	1,332
Feasibility and evaluation	4,919	1,539
Total exploration expenditure	6,574	2,871

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. Impairment on exploration and evaluation assets is assessed as a Cash Generating Unit (CGU) or a group of CGU no larger than an 'area of interest'. Directors have impaired \$668,000 which was attributed to the relinquishment of exploration tenements located in the Northern Territory.

At balance date the carrying amount of exploration and evaluation expenditure was \$24,020,000 of which \$5,695,000 is attributable to the entity's Manbarrum project, \$14,562,000 attributable to the Mount Peake project and the balance relating to other current exploration programs.

14 TRADE AND OTHER PAYABLES

	Consolidated	
	2015 \$'000	2014 \$'000
Current		
Trade payables	729	509
Other payables	143	221
	872	730

Trade payables are normally settled on a 30-day basis.

NOTES TO THE FINANCIAL STATEMENTS

15 PROVISIONS

	Consolidated	
	2015 \$'000	2014 \$'000
Employee provisions		
Current		
Annual leave	93	46
Long-service leave	94	100
	187	146
Balance at 1 July	146	83
Net provisions recognised/(used) during the year	41	63
Balance at 30 June	187	146

16 CAPITAL

	Consolidated	
	2015 \$'000	2014 \$'000
Issued and paid-up share capital	56,147	46,232

(a) Movements in shares on issue

	2015		2014	
	Number	\$'000	Number	\$'000
Balance at the beginning of year	553,998,647	46,232	447,421,428	41,858
Share placement	84,053,338	9,544	68,227,280	3,070
Share purchase plan	-	-	25,955,494	1,168
Options exercised	9,274,721	804	44,444	4
Employee, director and consultant shares	13,600,000 ¹	-	12,350,000	-
Loan funded shares loan – proceeds	-	166	-	326
Share issue costs	-	(599)	-	(194)
Balance at end of year	660,926,706	56,147	553,998,646	46,232

¹ 13,500,000 shares were issued for no initial consideration subject to the terms of the TNG share plans which were approved by shareholders on 21 November 2012. A further 100,000 share were issued to consultants in lieu of services rendered.

Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends that may be declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds from liquidation. Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

NOTES TO THE FINANCIAL STATEMENTS

16 CAPITAL (CONTINUED)

(b) Options on issue

Expiry Date	Exercise Price	Number at end of year	
		2015	2014
26 November 2015 (unlisted)	\$0.235	1,600,000	3,000,000
26 November 2016 (unlisted)	\$0.057	4,000,000	4,000,000
4 June 2017 (unlisted)	\$0.150	4,500,000	4,500,000
4 January 2017 (unlisted)	\$0.150	1,000,000	-
31 July 2015 (listed)	\$0.080	52,242,011	47,046,899

Please refer to note 22 for the details of options on issue.

Terms and conditions of options

Share options carry no rights to dividends and no voting rights.

(c) Dividends

No dividends were declared or paid during the 2015 financial year.

Dividend franking account	Consolidated	
	2015 \$'000	2014 \$'000
30% franking credits available to shareholders of TNG for subsequent financial years	751	751

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that the entity may be prevented from distributing in subsequent years.

NOTES TO THE FINANCIAL STATEMENTS

17 COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

	Consolidated	
	2015 \$'000	2014 \$'000
Exploration commitments payable not provided for in the financial report:		
Within one year	1,727	1,749
Operating lease commitments		
Operating lease commitments comprise premises and office equipment and are payable as follows:		
Within one year	216	209
Between one year and 5 years	19	198
	235	407

The Group leases its corporate head office under an operating lease. The lease runs for 5 years with an option to renew the lease after that date. Lease payments are increased every year to reflect market rentals. The Group also has minor leases for storage facilities and office equipment.

NOTES TO THE FINANCIAL STATEMENTS

18 CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The Directors are not aware of any circumstance or information which could lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

	Consolidated	
	2015 \$'000	2014 \$'000
Guarantees		
A guarantee has been provided to support unconditional environmental performance bonds	55	114
Total estimated contingent liabilities	55	114

Indemnities have been provided to Directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2015.

Constructive Trust Claim

Resolution of matters arising from 1998.

In the period September to December 1998 management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee Directors committed TNG to a series of transactions involving expenditure totalling \$1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its Directors which effectively provided for the repayment of the funds expended, and TNG would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory has claimed that it is entitled to a constructive trust over certain shares and options held by TNG in Kanowna Lights Limited (the Kanowna Securities) as a result of circumstances arising in the late 1990s when management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Commonwealth has obtained an injunction preventing TNG from selling or otherwise disposing of the Kanowna Securities.

The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its directors which provided for the repayment of the funds expended by TNG, in exchange for the transfer of the Kanowna Securities to Davis Samuel. Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 settlement agreement.

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark. TNG vigorously defended the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008 with the decision being handed down on 1 August 2013.

Final judgment was given on 21 November 2014 in relation to proceedings by the Commonwealth of Australia against TNG and other unrelated parties including former invalidly appointed directors of TNG. Materially, TNG was ordered to pay the Commonwealth \$695,308.10. TNG has paid this sum and accrued interest and will retain the shares and options which it holds in Peninsula Energy Limited (formerly Kanowna Lights Limited) which were the subject of the dispute between it and the Commonwealth.

NOTES TO THE FINANCIAL STATEMENTS

18 CONTINGENT LIABILITIES (CONTINUED)

TNG obtained judgment against other parties in the action for an indemnity against the Commonwealth's claim plus a total of \$3,597,303.02 damages plus costs. It is however doubtful that there will be any substantial recovery of this judgment debt as the Commonwealth also obtained judgment in a greater sum against the same people and companies and they appear to have minimal assets. TNG also has a charge over 2 of the defendant's properties from which they hope to recover \$261,060 in cash, the right to a court ordered payment of \$37,500 from the defendant's has been received. TNG has a contingent liability to the Commonwealth for costs which is difficult to quantify.

TNG has appealed against the Commonwealth's judgment against it and the other defendants have appealed against the whole of the decision.

Subscription Agreement

On 7 November 2011 TNG signed the subscription agreement with the East China Mineral & Development Bureau. Under the subscription agreement, if TNG's liability arising out of the court proceedings referred to above exceeds \$500,000, TNG must pay liquidated damages to the subscribers in an amount not exceeding \$1,500,000 being 29.999% of its court ordered liability. TNG's liability for and the amount of any payment is unknown until the appeal has been concluded.

19 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor, payment in full, in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are Connaught Mining NL and Enigma Mining Limited. In accordance with the terms of the Class Order a consolidated statement of comprehensive income, and consolidated statement of financial position comprising the entities that are party to the Deed as set out below.

	Consolidated	
	2015 \$'000	2014 \$'000
Statement of Comprehensive Income and retained earnings		
<i>Profit/(loss) before income tax</i>	(4,539)	(3,670)
Share based payments	798	1,170
<i>Movement in retained earnings</i>	(3,741)	(2,500)
Retained earnings at beginning of year	(23,125)	(20,625)
<i>Retained earnings at end of year</i>	(26,866)	(23,125)

NOTES TO THE FINANCIAL STATEMENTS

19 DEED OF CROSS GUARANTEE (CONTINUED)

Statement of Financial Position	Consolidated	
	2015 \$'000	2014 \$'000
Cash assets	5,139	4,001
Trade and other receivables	485	280
Prepayments	67	-
Other investments	81	2
Total current assets	5,772	4,283
Plant and equipment	125	187
Intercompany loan	6,136	5,709
Exploration and evaluation expenditure	18,294	13,682
Total non-current assets	24,555	19,578
Total assets	30,327	23,861
Trade and other payables	873	708
Provision	94	46
Total current liabilities	967	754
Total liabilities	967	754
Net assets	29,360	23,107
Issued capital	56,147	46,232
Reserves	79	-
Retained earnings	(26,866)	(23,125)
Total equity	29,360	23,107

20 CONSOLIDATED ENTITIES

Subsidiaries	Country of Incorporation	2015 % of Ownership	2014 % of Ownership
Connaught Mining NL	Australia	100	100
Enigma Mining Limited	Australia	100	100
Tennant Creek Gold (NT) Pty Ltd	Australia	100	100
Manbarrum Mining Pty Ltd	Australia	100	100
TNG Energy Pty Ltd ¹	Australia	100	100
Todd River Resources Limited	Australia	100	100
Todd River Metals Pty Ltd ²	Australia	100	100
TNG Gold Pty Ltd	Australia	100	-

¹ Direct subsidiary of Enigma Limited

² Direct subsidiary of Todd River Resources Limited

NOTES TO THE FINANCIAL STATEMENTS

21 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of cash flows from operating activities

	Consolidated	
	2015 \$'000	2014 \$'000
Net profit/(loss) for the period	(5,021)	(3,670)
Add/(less) non-cash items:		
Depreciation and amortisation	98	111
Share based payments	798	1,170
Loss on Available for sale investments	-	13
Impairment of Available for sale investments	-	23
Impairment of exploration costs	668	283
	(3,457)	(2,070)
Change in assets and liabilities:		
Change in current payables and provisions	(476)	85
Change in current receivables	4	19
Net cash used in operating activities	(3,929)	(1,966)

22 EMPLOYEE BENEFITS

Defined contribution superannuation funds

The Group made contributions to the employees nominated superannuation funds. The amount recognised as an expense was \$37,000 for the financial year ended 30 June 2015 (2014: \$36,000).

Share-based payments

During the year the following shares and options were issued:

Details of shares and options in the Company that were granted during the reporting period and details on options that vested during the reporting period are as follows:

Issue	Grant date/ participant entitled	Number	Vesting conditions	Contractual life
1	Shares granted to directors on 26 November 2014	4,000,000	1 years' service	5.0 years
2	Shares granted to directors on 26 November 2014	8,000,000	1 years' service	5.0 years
3	Shares granted to consultants on 20 December 2014	1,500,000	1 years' service	5.0 years
4	Options granted to consultants on 23 December 2014	1,000,000	-	2.0 years
5	Shares granted to consultants in lieu of services on 23 Dec 2014	100,000	-	-
6	Options granted to consultants in lieu of services on 6 Nov 2014	319,833	-	0.7 years

The fair value of equity share options granted is estimated at the grant dates using the Black-scholes, taking into account the terms and conditions upon which the options are granted.

NOTES TO THE FINANCIAL STATEMENTS

22 EMPLOYEE BENEFITS (CONTINUED)

Instruments issued during the period

a) Shares and Loans issued under TNG Non-Executive and Consultant Share Plan

13,500,000 shares were issued subject to the terms of the TNG share plans which were approved by shareholders on 21 November 2012. The Plan Shares issued cannot be sold transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue.

TNG has issued limited Recourse Loans to the value of shares issued under the plans. The loans are repayable in full by the date which is 5 years after the date of issue of the Plan and are interest free. The loans are however, limited recourse, so if the Plan Shares are sold the proceeds will be taken to repay the loan even if the proceeds are less than the value of the loan.

In the event that vesting conditions are not satisfied the participant must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share Plan.

The following inputs were used in the measurement of the fair values at grant of the shares and loans:

	Issue 1	Issue 2	Issue 3
Dividend yield	0.00%	0.00%	0.00%
Share price at date of grant	\$0.085	\$0.085	\$0.078
Exercise price	\$0.143	\$0.087	\$0.079
Volatility	95%	95%	95%
Risk free rate	2.64%	2.64%	2.64%
Expiration date	26 Nov 2019	26 Nov 2019	20 Dec 2019
Black-scholes valuation	\$0.056	\$0.062	\$0.057

b) Options issued under TNG Non-Executive and Consultant Option Plan

1,000,000 options were issued subject to the terms of the TNG Non-Executive and Consultant option Plan which was approved by shareholders on 21 November 2012.

The ability to exercise the options is conditional upon the employee, consultant remaining employed, or contracted to the company for 12 month's or meeting the prescribed KPI's outlined in their offer letter. If these performance hurdles are met the options will be unencumbered aiding with staff retention and/or prescribed company objectives having been met.

The following inputs were used in the measurement of the fair values at grant date of options:

	Issue 4
Dividend yield	0.00%
Share price at date of grant	\$0.079
Exercise price	\$0.150
Volatility	95%
Risk free rate	2.27%
Expiration date	23 Dec 2016
Black-scholes valuation	\$0.028

NOTES TO THE FINANCIAL STATEMENTS

22 EMPLOYEE BENEFITS (CONTINUED)

c) Listed shares and options issued to consultants

100,000 listed shares and 319,833 listed options were issued to consultants in lieu of services rendered. Their fair value was equal to their market value on the date of grant.

	Issue 5	Issue 6
Type of listed security	Share	Option
Dividend yield	N/A	N/A
Listed price at date of grant	\$0.079	\$0.04
Exercise price	N/A	N/A
Volatility	N/A	N/A
Risk free rate	N/A	N/A
Expiration date	N/A	31 July 2015
Market valuation	\$0.079	\$0.04

In accordance with AASB2 'Share-based payments' the Group has charged the fair value of share-based payments to the income statement over the vesting period.

Employee Expenses	Note	Consolidated	
		2015 \$'000	2014 \$'000
Shares and options granted in 2014 equity settled		798	1,170
Total expense/(income) recognised as employee expenses	6(d)	798	1,170

The number and weighted average exercise prices of share options is as follows:

	Consolidated			
	Weighted average exercise price 2015 \$	Number of options 2015	Weighted average exercise price 2014 \$	Number of options 2014
Outstanding at 1 July	0.140	11,500,000	0.235	3,000,000
Expired during the period	0.235	(1,000,000)	-	-
Exercised during the year	0.235	(400,000)	-	-
Granted during the period	0.150	1,000,000	0.106	8,500,000
Outstanding during the period	0.129	11,100,000	0.140	11,500,000
Exercisable at 30 June	0.129	11,100,000	0.207	4,500,000

The options outstanding at 30 June 2015 have an exercise price ranging from \$0.057 to \$0.235 and a weighted average contractual life of 1.35 years. (2014: 2.35 years)

Options granted to Directors are disclosed in the remuneration report.

NOTES TO THE FINANCIAL STATEMENTS

23 RELATED PARTIES

(a) Compensation of key management personnel

Key management personnel compensation comprised the following:

Compensation by category

	Consolidated	
	2015 \$'000	2014 \$'000
<i>Key Management Personnel</i>		
Short-term	1,054	891
Post-employment	55	51
Share-based payments	604	742
	1,713	1,684

Information regarding individual Directors and executives compensation and some equity disclosure as permitted by Corporations Regulation 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors Report.

(b) Other transactions with key management personnel

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personal related entities on an arms length basis.

During the year consulting fees were paid to Katrina Corporation Pty Ltd \$13,000 (2014: \$0) of which Rex Turkington was a related party. None was outstanding at 30 June 2015 (2014: \$0)

24 INTEREST IN JOINT OPERATIONS

Joint venture operations

Joint operations	Joint venture	Principal activities	Consolidated			
			Interest		Exploration expenditure	
			2015 %	2014 %	2015 \$	2014 \$
Mesmeric Enterprises Pty Ltd	Cawse Extended	Nickel/Cobalt	20.00	20.00	-	-

Exploration expenditure represents direct expenditure incurred by the Group.

NOTES TO THE FINANCIAL STATEMENTS

25 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2015 the parent entity of the Group was TNG Ltd.

	2015 \$'000	2014 \$'000
Current assets	5,198	4,264
Total assets	31,539	25,358
Current liabilities	397	660
Total liabilities	139	660
Issued capital	56,147	46,232
Retained earnings	(24,826)	(21,534)
Fair value reserve	79	-
Total shareholders' equity	31,400	24,698
Profit or loss of the parent entity	(4,091)	(3,383)
Total comprehensive income/(loss) of the parent entity	(4,012)	(3,383)

Tax consolidation

TNG and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 1 July 2003. TNG is the head entity of the tax consolidated group. Members of the group have not entered into a tax sharing agreement.

The parent entity has entered into a Deed of Cross Guarantee with its subsidiaries. Refer note 21 for details.

Operating lease commitments	2015 \$'000	2014 \$'000
Operating lease commitments are payable as follows:		
Within one year	216	209
Between one year and 5 years	19	198
	235	407

For contingent liabilities in relation to the parent entity, please refer to note 18.

26 EVENTS SUBSEQUENT TO BALANCE DATE

Option Conversion

On 4 August 2015 TNG finalised the conversion of its TNGO (\$0.08) listed options. 51,618,735 options were converted post 30 June 2015 resulting in an increase to share capital for cash of \$4,219,498.

No other matters have arisen since 30 June 2015, which have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

DIRECTORS' DECLARATION

- 1 In the opinion of the directors of TNG Limited (the "Company"):
 - (a) the financial statements and notes, and the Remuneration report in the Director's report, set out on pages 30 to 37, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and Corporation Regulations 2001, and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the group entities identified in note 21 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer (or equivalent) and Chief Financial Officer for the financial year ended 30 June 2015.
- 4 The directors draw attention to note 2(a) of the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with the resolution of the directors:



Paul Burton

Managing Director

Dated at Perth 24 September 2015

INDEPENDENT AUDIT REPORT



Independent auditor's report to the members of TNG Limited

Report on the financial report

We have audited the accompanying financial report of TNG Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDIT REPORT



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of TNG Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to read 'T Hart'.

Trevor Hart
Partner

Perth

24 September 2015

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (AS AT 5 OCTOBER 2015)

Substantial shareholders

Substantial holders in the Company are set out below:

Shareholder	Number
MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN	79,385,000
AOSU INVESTMENT AND DEVELOPMENT CO PTY LTD	56,308,643
AO-ZHONG INTERNATIONAL MINERAL RESOURCES PTY LTD	44,978,812

Class of shares and voting rights

- (a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

On-market buy-back

There is no current on-market buy-back.

Distribution of equity securities as at 30 September 2015

Category	Number of equity security holders	
	Ordinary Shares	Unlisted Shares
1 – 1,000	171	-
1,001 – 5,000	662	-
5,001 – 10,000	643	-
10,001 – 100,000	2,012	-
100,001 and over	858	3
	4,346	3

The number of shareholders holding less than a marketable parcel is 412.

ASX ADDITIONAL INFORMATION

UNLISTED OPTIONS

Unlisted options exercisable @ \$0.235 expiring 26 November 2015

Total on issue	1,600,000
Number of holders	1
Holder with 20% or more:	1
Wang Zhigang	1,600,000

Unlisted options exercisable @ \$0.057 expiring 26 November 2016

Total on issue	4,000,000
Number of holders	2
Holder with 20% or more:	2
Michael Evans	2,000,000
Wang Zhigang	2,000,000

Unlisted options exercisable @ \$0.15 expiring 5 June 2017

Total on issue	4,500,000
Number of holders	1
Holder with 20% or more:	1
Paul Vollant	4,500,000

Unlisted options exercisable @ \$0.15 expiring 4 January 2017

Total on issue	1,000,000
Number of holders	1
Holder with 20% or more:	1
Paul Vollant	1,000,000

RESTRICTED SECURITIES

During the year 13,500,000 shares were issued pursuant to the Company's loan funded share plans. In accordance with the terms and conditions of the offers made a "Holding lock" has been placed on the shares for a period of 1 year from the date of issue being until certain restrictions are satisfied (unless waived by the board). Further details of the plans are set out in the notice of meeting for the 2012 Annual General Meeting.

ASX ADDITIONAL INFORMATION

TWENTY LARGEST SHAREHOLDERS AS AT 5 OCTOBER 2015

Rank	Name	Units	% of Units
1.	MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN <WWB INVESTMENTS P/L S/F A/C>	79,385,000	11.14
2.	AOSU INVESTMENT AND DEVELOPMENT CO PTY LTD	56,308,643	7.90
3.	AO-ZHONG INTERNATIONAL MINERAL RESOURCES PTY LTD	44,978,812	6.31
4.	MR PAUL BURTON	12,000,000	1.68
5.	MR TODD BROUWER	10,010,000	1.40
6.	MR ADAM FURST	9,240,881	1.30
7.	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,455,033	1.19
8.	TOP CLASS HOLDINGS PTY LTD <THE ONSLOW SUPER FUND A/C>	8,200,000	1.15
9.	MR BENJAMIN SLOAN BUTCHER	6,324,693	0.89
10.	MR REXTURKINGTON	6,000,000	0.84
11.	MR STUART CROW	4,000,000	0.56
12.	MR MICHAEL EVANS	4,000,000	0.56
13.	RESEARCHED INVESTMENTS PTY LTD <RICHARD CRUICKSHANK S/F A/C>	4,000,000	0.56
14.	KP DEEVES PTY LTD <DEEVES FAMILY S/F A/C>	3,350,000	0.47
15.	WESTERMAN SUPER HOLDINGS PTY LTD <WESTERMAN SUPER FUND A/C>	3,300,000	0.46
16.	MR BRUNO DIMASI + MRS JENNIFER LOUISE DIMASI <THE DIMASI FAMILY S/F A/C>	3,175,714	0.45
17.	TURMOYLE PTY LTD <GEM SUPER FUND A/C>	3,014,583	0.42
18.	MR PAUL BROWN	2,969,273	0.42
19.	MR EARLE ALLON RICHARDSON + MRS LEANNE MOYA WALTER <RICHARDSON SUPER FUND A/C>	2,735,000	0.38
20.	BONOS PTY LTD	79,385,000	0.38
Totals: Top 20 holders of FULLY PAID SHARES (GROUPED)		274,177,632	38.48
Total Remaining Holders Balance		438,367,809	61.52

ASX ADDITIONAL INFORMATION

THE GROUP HOLDS AN INTEREST IN THE FOLLOWING TENEMENTS OR TENEMENT APPLICATIONS:

Project	Tenements	Equity
Mount Peake	EL27069, EL27070, EL27941, EL29578, ELR29627, EL30483, MLA28341, MLA29855, MLA29856, MLA30686	100%
McArthur River	EL27711, EL30085	100%
Melville Island	ELA28617	100% (Farm in agreement)
Croker Island	ELA29164	100%
High Black Range	EL30207, EL30208	100%
Mount Hardy	EL27892, EL29219, EL28694	100%
Manbarrum	MA24518, MA26581, EL24395, EL25646, MLA27357	100%
Sandover	EL29252, EL29253	100%
Walabanba Hills	EL26848, EL27115	51% (Farm in agreement)
Tomkinson	EL30348, EL30359	100%
Warramunga/Rover JV	EL25581, ELA25582, ELA25587, MLC647	20% (Farm in agreement)
Peterman Ranges	ELA26383, ELA25564, ELA26384, ELA25562, ELA26382	100% (Farm in agreement)
Goddard's	ELA24260	100% (Farm in agreement)
Cawse Extended	M24/547, M24/548, M24/549, M24/550	20% free carried to production, or can be converted to a 2% net smelter return on ore mined. Unicorn Pit is now excised and a wet tonne royalty applies.
Kintore East	P16/2370, P16/2371, P16/2372, P16/2373, P16/2374,	2% gold return interest.

Legend

A:	Authorisation (equivalent or Exploration Licence)
E:	Exploration Licence (W.A)
EL:	Exploration Licence (N.T)
ELA:	Exploration Licence Application
M:	Mining Lease (W.A)
MLC:	Mineral Lease Central (N.T)
MLA	Mineral Lease Application (N.T)
P:	Prospecting Licence (W.A)

ASX ADDITIONAL INFORMATION

MINERAL RESERVES AND RESOURCES

As at 30 June 2015 the company has reviewed its Mineral reserves and resources which are as follows:

Maiden Mount Peake Probable Ore Reserve estimate (JORC 2012)

Category	Tonnes	V ₂ O ₅ %	TiO ₂ %	Fe%
Proven	-	-	-	-
Probable	41.1	0.42	7.99	28.0
Total	41.1	0.42	7.99	28.0

Mount Peake Resource estimate (JORC 2012)

Category	Tonnes	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
Measured	118	0.29	5.5	24	8.2	33
Indicated	20	0.28	5.3	22	9.1	34
Inferred	22	0.22	4.4	19	10	38
Total	160	0.28	5.3	23	8.6	34

This resource is unchanged from 30 June 2014.

Manbarrum Resource estimate (JORC 2004)

Material	Classification	Tonnes	ZN	PB	AG
Oxide	Indicated	575,000	1.45	0.43	5.14
	Inferred	877,000	1.26	0.28	3.24
	Total	1,452,000	1.34	0.34	3.99
Primary	Indicated	12,906,000	2.07	0.57	4.77
	Inferred	10,023,000	1.54	0.30	4.40
	Total	22,929,000	1.84	0.45	4.61
Total		24,381,000	1.81	0.45	4.57

ASX ADDITIONAL INFORMATION

Djibitgun Total Ag Mineral Resource

Classification	Resource	Commodity	Tonnes	Zn %	Pb %	Ag g/t
Inferred	Oxide	Silver	19,930,000	0.5	0.2	16.4

Note: This resource includes 9.5Mt @ 0.6% Zn, 0.2% Pb, 20.2g/t Ag at a lower cut-off grade of +15g/t Ag

Djibitgun Zn Mineral Resource

Classification	Resource	Commodity	Tonnes	Zn %	Pb %	Ag g/t
Inferred	Oxide	Zinc	6,720,000	1.8	0.6	14.0

Note: This resource is reported above a 1% Zn lower cut-off grade, and includes 3.8Mt @ 2.2% Zn, 0.5% Pb, 15.3g/t Ag above a lower cut-off grade of 1.5% Zn.

This resource is unchanged from 30 June 2014.

The Company engaged independent consultants to prepare Resource estimates, in the course of doing so the consultants have:

- ▶ Reviewed TNG's assay and QAQC data.
- ▶ Generated electronic models that represent the interpreted geology, mineralisation and oxidation profiles, based on drilling and geological information supplied by TNG.
- ▶ Complete statistical analysis and variography for economic elements.
- ▶ Estimated grades of economic elements using ordinary kriging and completed model validity checks.
- ▶ Classified the Mineral Reserve and Resource estimate in accordance with the JORC Code (JORC, 2012 and 2004), as applicable.
- ▶ Reported the estimates and compiled supporting documentation in accordance with JORC Code guidelines.

ASX ADDITIONAL INFORMATION

COMPETENT PERSONS STATEMENTS

The information in this report that relates to the **Mount Peake Mineral Resource** estimates is extracted from an ASX Announcement dated 26 March 2013, (see ASX Announcement –26 March 2013, “Additional Information on the Mount Peake Resource”, www.tngltd.com.au and www.asx.com.au), and was completed in accordance with the guidelines of the JORC Code (2012). Initial mining and financial assessment work, based on the Mineral Resource, followed (see ASX Announcement –15 July 2013, “TNG Considers Two-Stage Development Option for Mount Peake Project, NT”, www.tngltd.com.au and www.asx.com.au).

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 Mineral Resource 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 Person's findings are represented have not been materially modified from the original market announcement.

The information in this report that relates to the **Mount Peake Ore Reserve** estimates is extracted from an ASX Announcement dated 31 July 2015, (see ASX Announcement –31 July 2015, “Mount Peake Feasibility Study Confirms a World-Class Project”, www.tngltd.com.au and www.asc.com.au) and was completed in accordance with the guidelines of the JORC Code (2012). 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 Ore Reserve 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 Person's findings are represented have not been materially modified from the original market announcement.

The **Sandy Creek and Djibitgun Mineral Resource**

statements were released to the ASX on 31st March 2008. The information in this report that relates to Exploration Results based on information compiled by Paul Burton who is a Member of The Australasian Institute of Mining and Metallurgy and a Director of TNG Limited. Paul Burton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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’. Paul Burton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

PRODUCTION TARGETS AND FINANCIAL INFORMATION

Information in relation to the **Mount Peake Definitive Feasibility**, including production targets and financial information, included in this report is extracted from an ASX Announcement dated 31 July 2015, (see ASX Announcement –31 July 2015, “Mount Peake Feasibility Study Confirms a World-Class Project”, www.tngltd.com.au and www.asx.com.au). The Company confirms that all material assumptions underpinning the production target and financial information set out in the announcement released on 31 July 2015 continue to apply and have not materially changed.

