

**TNG** LIMITED

**HALF-YEAR  
FINANCIAL REPORT**

**31 December 2017**

ABN 12 000 817 023

## **TNG Limited and its controlled entities**

### **Half Year Financial Report**

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#### **CORPORATE INFORMATION**

##### **Directors**

Paul Burton	(Managing Director)
Geoffrey Crow	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
John Davidson	(Non-Executive Director)

##### **Company Secretary**

Simon L Robertson

##### **Registered Office**

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Subiaco WA 6008

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Website: [www.tngltd.com.au](http://www.tngltd.com.au)

Email: [corporate@tngltd.com.au](mailto:corporate@tngltd.com.au)

##### **Auditor**

KPMG  
235 St Georges Tce  
Perth WA 6000

##### **Share Registry**

Computershare Investor Services Pty Limited  
Level 11

172 St George's Terrace

Perth WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

##### **Stock Exchanges**

Australian Stock Exchange Limited: (Code:TNG)

Stock Exchange Berlin, Germany: (Code:HJI)

## TNG Limited and its controlled entities Directors' Report

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The directors of TNG Limited (the "Company") present their report together with the consolidated financial statements for the six months ended 31 December 2017 and the review report thereon.

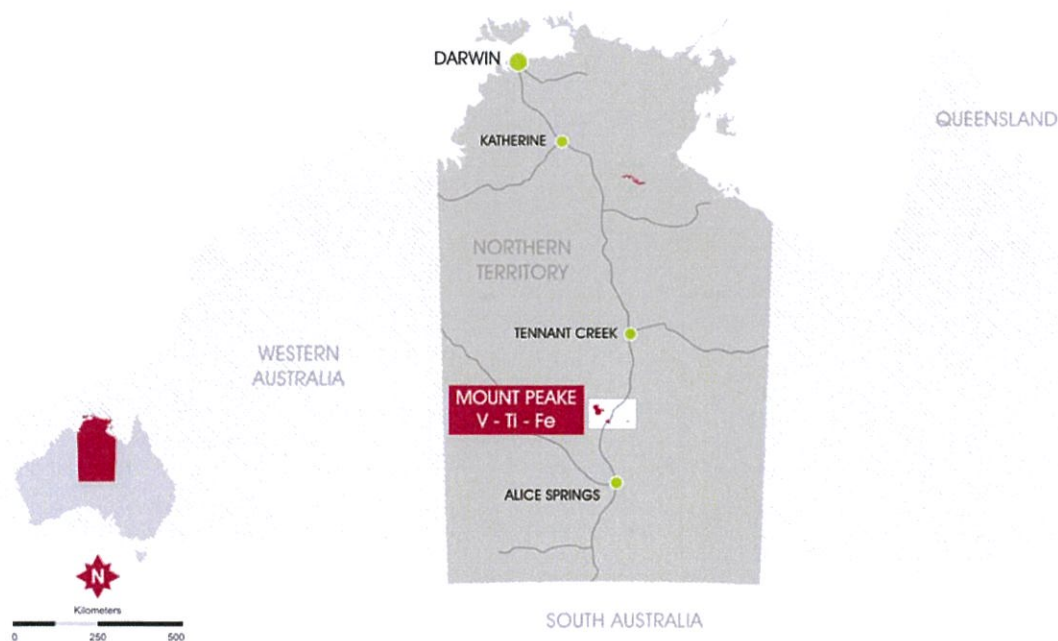
### Directors

The directors of the Company at any time during or since the end of the interim period are:

Paul Burton	(Managing Director)
Geoffrey Crow	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
John Davidson	(Non-Executive Director)

### REVIEW OF OPERATIONS

#### TNG Operations



### SUMMARY

During the first half of the 2018 Financial Year, TNG continued to focus on advancing its cornerstone asset, the 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory. The Mount Peake Definitive Feasibility Study, completed in July 2015, delivered robust financial and technical results, outlining a world-class project capable of generating outstanding returns for shareholders.

The Company achieved a number of key pre-development, marketing and permitting milestones at Mount Peake during the reporting period, with key highlights including:

#### ***Mount Peake – Project evaluation and development***

- Updated Feasibility Study and Financial Model confirms the robust business case for project development, with results reconfirming and enhancing the outcomes reported in the 2015 Definitive Feasibility Study. Key highlights of the updated Feasibility Study included a 12% reduction in pre-production CAPEX to A\$853 million, forecast life-of-mine net cash-flow of A\$11.7 billion, a pre-tax NPV<sub>8%</sub> of A\$4.7 billion and a reduced capital payback period of three years.

## **TNG Limited and its controlled entities**

### **Directors' Report**

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- The completion of the updated Feasibility Study and Financial Model marked the culmination of an extensive body of work completed over the past 18 months in conjunction with the Company's strategic development partner, SMS Group, Como Engineers and METS.
- Final Environmental Impact Statement (EIS) Addendum Report for the mine site component of the Mount Peake development submitted to the Northern Territory Environment Protection Authority (EPA) for final assessment. The NTEPA has since confirmed that it requires no further information on the EIS Addendum Report, clearing the way for it to finalise its Assessment Report to allow the Project to advance to the next stage of approvals and construction.
- Positive progress in negotiations for Mount Peake Project finance, with leading German Government-owned KfW IPEX-Bank GmbH, a specialist financier in export and project financing, submitting an expression of interest to undertake financing of the project subject to further due diligence, and non-binding expressions of interest received for the equity component of the project funding.
- Patent coverage for TNG's proprietary TIVAN® Process for the extraction and recovery of high-purity vanadium extended to the USA and Russia, with further approvals for the EU, Vietnam, China and Canada in progress.
- Agreement signed with Energy Made Clean, a wholly-owned subsidiary of Carnegie Clean Energy (ASX: CCE) to assess alternative power options for Mount Peake, including an evaluation of on-site renewable energy options for the Mount Peake mine and Darwin refinery sites.
- Discussions with potential titanium off-take partners significantly advanced.
- Further progress achieved across all key areas required to launch the development of the large-scale Mount Peake Vanadium-Titanium-Iron Project, with other technical, engineering and environmental studies continuing prior to a Final Investment Decision (FID).

#### **Corporate**

- Full amount of Research & Development refund claim totalling \$1.73M excluding costs.
- Sale Agreement with Joint Venture Partner Rio Tinto Exploration Pty Ltd for the sale of TNG's 100%-owned Melville Island exploration licence application, encompassing a cash payment of \$80,000 plus a 2% Net Smelter Royalty.
- Strategic metals pricing across TNG's commodity suite continued to strengthen throughout 2017 in response to synchronised global economic growth.

#### **MOUNT PEAKE PROJECT: TNG 100%**

The Mount Peake Project is 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 grading 0.28% V<sub>2</sub>O<sub>5</sub>, 5.3% TiO<sub>2</sub> and 23% Fe, Mount Peake is one of the largest undeveloped 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 100%-owned ground-holding.



## **TNG Limited and its controlled entities**

### **Directors' Report**

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#### **Updated Feasibility Study and Financial Model**

TNG completed an updated Feasibility Study (FS) and Financial Model for the Mount Peake Project during the reporting period. The results of the FS reconfirm and enhance the outcomes reported in the Definitive Feasibility Study (DFS) completed in 2015 (see ASX Announcement 31 July 2015), reinforcing the robust business case for the Mount Peake Project against the backdrop of a much stronger commodity environment – paving the way for TNG to secure an attractive and competitive funding package for the project's development.

The updated FS achieved a new pre-production Capital Expenditure (CAPEX) of A\$853 million, representing a significant decrease of A\$117 million from the 2015 DFS CAPEX of A\$970 million, due primarily to the optimisations achieved during the past 18 months.

The financial model has shown an increase in the Project's pre-tax internal rate of return (IRR) to 44% (up from 41%), with only a moderate increase in forecast Operating Expenditure (OPEX) from A\$167 to A\$185 per tonne of ore processed and a reduced payback period of 3 years.

The completion of the updated FS and Financial Model marked the culmination of an extensive body of work completed over the past 18 months in conjunction with the Company's strategic development partner, SMS Group, Como Engineers and METS.

This work also included substantial additional variability test work overseen by Como Engineers in Perth on the TIVAN® flowsheet and mine site beneficiation flowsheet, a number of important enhancements to the TIVAN® flowsheet from work undertaken by the SMS Group, and further technical de-risking measures.

Details of the Optimisation Studies completed as part of the updated FS – including the updated Concentrator flowsheet finalised by Como Engineers, the updated and optimised flowsheet for the TIVAN® processing plant, the updated FS assumptions, details of the proposed BOOT (Build-Own-Operate-Transfer) arrangements for the TIVAN® facility, a revised mine schedule, and revised capital and operating cost estimates – are available from the Company's ASX Announcement dated 20 November 2017 ("Updated Feasibility Study and Financial Model Confirms Robust Business Case for Development of Mount Peake Vanadium-Titanium-Iron Project", ASX – 20 November 2017).

#### **Project Approvals**

##### *Environmental Impact Statement*

TNG completed and submitted the Environmental Impact Statement Addendum Report for the mine site component of the Mount Peake Project to the Northern Territory Environment Protection Authority (NTEPA) for final assessment during the reporting period.

The submission followed the completion of a number of work streams, including an extensive fieldwork component. The scope of work leading to the lodgement of the EIS Addendum was agreed with the NTEPA following detailed feedback received on the original EIS submission.

In late December, the NTEPA confirmed that it did not require any further information on the EIS Addendum, clearing the way for it to finalise the Assessment Report and provide it to the Minister, the Company and key Northern Territory agencies to allow the Project to advance to the next stage of approvals and construction (subject to all approvals and financing). The Assessment Report is also provided to the Federal delegate to facilitate completion of the assessment under Federal environmental legislation.

The completion of the EIS process will allow a decision on construction and mine development to move ahead next year, subject to financing and other approvals.

The Mount Peake Project comprises a mine and processing facility to be located at Mount Peake, approximately 235km north-west of Alice Springs, and the Darwin TIVAN® Process Plant, to be located at the Middle Arm Industrial Precinct, 16km south-east of Darwin. Environmental approvals for the mine and plant are being progressed separately, reflecting both their geographical separation (1,400km) and the fact that significantly different environmental and social issues need to be addressed at the two locations.

## **TNG Limited and its controlled entities**

### **Directors' Report**

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The mine and Darwin plant were referred separately to the NTEPA, which determined that both required assessment under the Northern Territory Environmental Assessment Act 1982 (EA Act) at the level of Environmental Impact Statement (EIS). The mine and Darwin plant were also separately referred to the Commonwealth Department of the Environment under the Environment Protection and Biodiversity Conservation Act 1999. Both were determined to be controlled actions with assessment by accredited assessment under the EA Act.

#### *Mining Lease*

The Company has submitted a Mining Lease (ML) application to the Northern Territory Government.

Under Northern Territory legislation, Traditional Owner groups are required to enter into a Binding Mining Agreement with the Company before the ML is granted. The Mount Peake Project falls within the jurisdiction of the Central Land Council (CLC). TNG and its lawyers have been working with the CLC on the Mining Agreement for the past 12 months and on finalising the agreement for the past six months.

TNG remains committed to securing the best deal for the shareholders as part of this Mining Agreement, and is working towards completing this process in the near future.

#### **Project Finance**

During the reporting period, TNG hosted senior executives from the leading German Government-owned KfW IPEX-Bank GmbH, a specialist financier in export and project financing with a dedicated track record in Export Credit Agency backed financing.

The meeting was attended by the KfW IPEX-Bank mining finance team and the SMS group head of finance, together with other SMS executives. TNG subsequently received an expression of interest letter indicating KfW's interest in participating in the Company's project finance, subject to further due diligence. The updated full financial model (outlined above) will be presented to KfW IPEX-Bank GmbH in early 2018.

TNG has also received non-binding expressions of interest for the equity component of the project funding and remains committed to securing these.

#### **Titanium Off-take**

Discussions with potential off-take partners for Mount Peake's titanium product were significantly advanced during the reporting period.

The Company has received a binding off-take proposal for 100% of its titanium product, and this proposal is now being reviewed by the Company's lawyers. The Company is committed to securing the best outcome for shareholders and to vigorously expediting the completion of any such agreement.

The parties with which the Company has been in discussions wish to remain anonymous at this stage until a final binding agreement has been reached.

#### **Patent Coverage Extended**

Patents for TNG's proprietary TIVAN® hydrometallurgical process for the extraction and recovery of high-purity vanadium were approved in both the United States of America and Russia after being granted in Australia.

The patents provide protection and security for the Company for one of its core pieces of Intellectual Property as it reaches the final stages of pre-development, reflecting the robustness of its leach process. TNG also owns the trademark "TIVAN".

The TIVAN® process patent is based on the extraction and recovery of vanadium and was developed by TNG and its metallurgical consultants, Perth-based METS Pty Ltd. The leach process is the backbone of the TIVAN® process which allows the Company to extract vanadium, titanium and iron in commercial grades and quantities. The Company's long-term business plan is for the TIVAN® process to be developed for licensing globally, which could be potentially highly lucrative for TNG and its shareholders.



## **TNG Limited and its controlled entities**

### **Directors' Report**

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The global patent process is being managed by Perth-based patent lawyers WRAYS. Approvals for China, Vietnam, South Africa, the European Union and Canada are currently in process.

#### **Commodity Pricing Development**

TNG's expected production commodities from Mount Peake all saw further significant improvements during the reporting period, capping a strong year in 2017 which saw the following price increases across the Company's suite of strategic metals:

- Vanadium pentoxide prices increased by 110% – from US\$5/lb to a peak of US\$12/lb
- Titanium dioxide pigment prices increased by 12% – from US\$2,900/t to US\$3,250/t
- Pig iron prices increased by 15% – from US\$340/t to US\$390/t

Importantly, the price increases outlined above appear to represent more of a reversion to the historical mean prices after a period of extremely low sentiment in the industry, rather than a sudden bullish sentiment.

The vanadium price in particular has been subject to positive analyst commentary since the beginning of 2018.

#### **OTHER PROJECTS**

##### ***Cawse Extended Mine Project: Nickel-Cobalt***

(80%: Mesmeric / 20%: TNG)

The Company has a 20% free-carried interest in the Cawse Extended Mining Lease, the Company understands that Mesmeric Resources has moved significant processing equipment onto the lease and there is potential for mining activity to resume in 2018. Further updates will be provided in due course.

##### ***Sale of Melville Island exploration licence application to Rio Tinto***

TNG has reached an agreement with Rio Tinto Exploration Pty Ltd (RTX) for the sale of its 100%-owned Melville Island Exploration Licence Application 28617 in the Northern Territory. A farm-in agreement was signed by both parties in October 2012, allowing RTX to earn 80% equity in the project with TNG retaining 20% equity, at which point TNG would elect to either contribute, sell or convert its equity to a 2% Net Smelter Royalty (NSR). The licence has not progressed from the application phase and therefore equity has not at this stage been earned by RTX. TNG has now agreed to sell its interest in the project to RTX for \$80,000 plus a 2% NSR. ELA 28617 covers an area of 1,387km<sup>2</sup> in the north-western part of Melville Island and is prospective for bauxite and heavy minerals

#### **CORPORATE**

##### **Research & Development Refund**

TNG received the full amount of its Research & Development refund claim totalling \$1,730,700 before costs. The claim covers eligible test work for the 2016/17 financial year 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 43.5 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 high-purity vanadium, titanium and iron from vanadiferous-titanomagnetite using its patented TIVAN™ hydrometallurgical process. The TIVAN™ process forms a key part of the Company's development plans for its flagship Mount Peake Vanadium-Iron-Titanium Project in the Northern Territory and its strategy to become a significant global supplier of strategic metals.

## **TNG Limited and its controlled entities**

### **Directors' Report**

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#### **ATO Class Ruling on the in-specie distribution of shares in Todd River Resources**

During the reporting period, the Australian Taxation Office (ATO) published its Class Ruling on the in-specie distribution of shares in Todd River Resources Limited (TRT) completed on 23 March 2017. TNG holds 10.77% of TRT.

The in-specie distribution was made on the basis of 1 TRT share for every 28.73 TNG shares held on 15 March 2017 (Record Date).

A copy of the Class Ruling (CR 2017/46) was published on the ASX on 27 July 2017.

As a result of the in-specie distribution of Todd River Resources Limited Shares to TNG Shareholders and in accordance with Listing Rule 7.22.3, the exercise price of options on issue has been reduced by \$0.007 per option.

After adjustment of the exercise prices, the Company has the following options on issue:

- Listed 25,870,437 Exercisable at \$0.193 expiring on 15 June 2018
- Unlisted 1,500,000 Exercisable at \$0.193 expiring on 7 September 2019
- Unlisted 11,000,000 Exercisable at \$0.263 expiring on 13 December 2019

#### **Working Capital**

TNG had total cash reserves of \$4.7 million at the end of the reporting period. The Company anticipates that it has sufficient funds to complete its pre-development work streams prior to tendering for final engineering and construction. The Company will continue to closely monitor its funding requirements.

#### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the six months ended 31 December 2017.



**TNG Limited and its controlled entities**  
**Directors' Report**

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**Rounding off**

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.



**Paul E Burton**  
Managing Director

13 March 2018



# 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 review of TNG Limited for the half-year ended 31 December 2017 there have been:

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

KPMG

Jane Bailey

KPMG

Jane Bailey  
Partner

Perth  
13 March 2018

**Condensed Consolidated Interim Statement of Profit or Loss and other Comprehensive Income**  
**For the six months ended 31 December 2017**

		31 December 2017	31 December 2016
	Note	\$'000	\$'000
Other Income		467	-
Gain on sale of plant and equipment		-	12
Gain on sale of tenements		80	-
<b>Total income</b>		<b>547</b>	<b>12</b>
Occupancy expenses		(91)	(75)
Administrative expenses		(148)	(110)
Employment expense		(522)	(345)
Corporate expenses		(921)	(1,254)
Depreciation and amortisation expense		(30)	(36)
Share based payment expense		-	(702)
Other expenses		-	(10)
Impairment of available for sale financial assets	7	(420)	-
Impairment loss on exploration and evaluation expenditure	8	-	(437)
<b>Results from operating activities</b>		<b>(1,585)</b>	<b>(2,957)</b>
Financial income		52	50
Financial expenses		-	-
<b>Net financing income/(Expense)</b>		<b>52</b>	<b>50</b>
<b>Loss before income tax</b>		<b>(1,533)</b>	<b>(2,907)</b>
Income tax benefit/(expense)		-	-
<b>Loss for the period</b>		<b>(1,533)</b>	<b>(2,907)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of available-for-sale financial assets		81	7
<b>Other comprehensive income for the period</b>		<b>81</b>	<b>7</b>
<b>Total comprehensive loss for the period</b>		<b>(1,452)</b>	<b>(2,900)</b>
<b>Earnings/(loss) per share (cents per share)</b>			
Basic and diluted earnings/(loss) per share (cents per share)		(0.19)	(0.39)

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the condensed consolidated interim financial statements.



**Condensed Consolidated Interim Statement of Financial Position**  
**As at 31 December 2017**

	Note	31 December 2017	30 June 2017
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents		4,705	6,758
Other receivables		403	338
Prepayments		88	54
Other investments	7	1,023	942
<b>Total current assets</b>		<b>6,219</b>	<b>8,092</b>
<b>Non-Current Assets</b>			
Plant and equipment		79	107
Exploration and evaluation expenditure	8	22,152	21,645
<b>Total non-current assets</b>		<b>22,231</b>	<b>21,752</b>
<b>Total assets</b>		<b>28,450</b>	<b>29,844</b>
<b>Current Liabilities</b>			
Trade and other payables		540	650
Provisions		338	330
<b>Total current liabilities</b>		<b>878</b>	<b>980</b>
<b>Non-Current Liabilities</b>			
Other payables		-	260
<b>Total non-current liabilities</b>		<b>-</b>	<b>260</b>
<b>Total liabilities</b>		<b>878</b>	<b>1,240</b>
<b>Net assets</b>		<b>27,572</b>	<b>28,604</b>
<b>Equity</b>			
Issued capital		68,790	68,790
Reserves		(2,105)	(2,606)
Accumulated loss		(39,113)	(37,580)
<b>Total equity</b>		<b>27,572</b>	<b>28,604</b>

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Cash Flow Statement**  
**For the six months ended 31 December 2017**

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	428	-
Cash paid to suppliers and employees	(1,832)	(1,396)
Interest received	57	54
<b>Net cash (used in) operating activities</b>	<b>(1,347)</b>	<b>(1,342)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(2,475)	(3,395)
Research and Development tax offset claim	1,731	963
Proceeds from plant and equipment	-	12
Payments for plant and equipment	(2)	(43)
Proceeds from sale of tenements	80	-
Proceeds from refund of security bonds	6	38
Payments of security bonds	(46)	-
<b>Net cash (used in) investing activities</b>	<b>(706)</b>	<b>(2,425)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	7,025
Cost of shares issued	-	(30)
<b>Net cash received from financing activities</b>	<b>-</b>	<b>6,995</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,053)</b>	<b>3,228</b>
Cash and cash equivalents at 1 July	6,758	7,167
<b>Cash and cash equivalents at 31 December</b>	<b>4,705</b>	<b>10,395</b>

This condensed consolidated statement of cash flows is to be read in conjunction with the notes to the condensed consolidated interim financial statements.

**Condensed Consolidated Interim Statement of  
Changes in Equity  
For the six months ended 31 December 2017**

	Issued Capital	Accumulated loss	Fair Value Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2016</b>	64,944	(34,003)	44	30,985
Net loss for the period	-	(2,907)	-	(2,907)
Other comprehensive income	-	-	7	7
Total comprehensive loss for the period	-	(2,907)	7	(2,900)
<b>Transactions with owners, recorded directly in equity</b>				
Share placement	6,985	-	-	6,985
Loan funded share plan – loan repayment	40	-	-	40
Cost of share issue	(30)	-	-	(30)
Share based payment expense	-	701	-	701
<b>Balance at 31 December 2016</b>	<b>71,939</b>	<b>(36,209)</b>	<b>51</b>	<b>35,781</b>
 <b>Balance at 1 July 2017</b>	 68,790	 (37,580)	 (2,606)	 28,604
Other comprehensive income	-	-	81	81
Net loss for the period	-	(1,533)	-	(1,533)
Total comprehensive loss for the period	-	(1,533)	81	(1,452)
<b>Transactions with owners, recorded directly in equity</b>				
Transfer to profit or loss	-	-	420	420
<b>Balance at 31 December 2017</b>	<b>68,790</b>	<b>(39,113)</b>	<b>(2,105)</b>	<b>27,572</b>

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

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to the condensed consolidated interim financial statements.



**Notes to the condensed consolidated interim financial statements**

**1. Reporting entity**

TNG Limited (the "Company") is a for-profit company domiciled in Australia. The condensed consolidated interim financial report as at and for the six months ended 31 December 2017 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.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2017 is available upon request from the Company's registered office at Suite 20, 22 Railway Rd Subiaco 6008 or at [www.tngltd.com.au](http://www.tngltd.com.au)

**2. Statement of compliance**

The condensed consolidated half-year financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*, and the Corporation Act 2001.

The condensed consolidated half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2017.

The consolidated half-year financial report was approved by the Board of Directors on 13 March 2018.

**3. Significant accounting policies**

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2017.

There has been no new and revised standards and interpretation applicable for the current half year which have resulted in changes to the Group's presentation of, or disclosure in, its interim financial statements.

**4. Estimates**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2017.

**5. 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.

Whilst not immediately required, the Group may need to raise additional funds to meet its ongoing obligations and subject to the results of its ongoing exploration activities, expand or accelerate its work programs. Additional sources of funding available to the Group include capital raising from new or existing shareholders, or through farm-in or similar arrangements.

## TNG Limited and Controlled Entities

### Half-Year Financial Report

#### Notes to the condensed consolidated interim financial statements

#### 5. Going concern (continued)

If necessary the Group can delay exploration expenditures and directors can also institute cost saving measures to further reduce corporate and administrative costs.

The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least 12 months and when required will be able to raise further funding.

#### 6. Segment information

The Board has determined that the Group has one reportable segment, being mineral exploration in Australia, consequently the Group does not report segmented operations.

#### 7. Available for Sale Investments

Cost	31 December 2017 6 months \$,000	30 June 2017 12 months \$,000
Balance at the beginning of the period	942	46
Additions	-	1,400
Revaluation recognised in other comprehensive income	81	(504)
Balance at the end of the period	1,023	942

The group's investments in equity securities are classified as Level 1 available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes other than impairment are recognised as a component of equity. As at 31 December 2017, management performed an impairment assessment and recognised a previous movement in fair value as an impairment loss of \$419,980 for the current six months period. Accordingly, \$419,980 has been transferred from Reserves to the Profit or Loss.

#### 8. Exploration and evaluation expenditure

Cost	31 December 2017 6 months \$,000	30 June 2017 12 months \$,000
Balance at the beginning of the period	21,645	24,684
Exploration and evaluation expenditure	2,238	5,361
Impairment	-	(437)
Exploration assets demerged	-	(7,000)
Research and development rebate	(1,731)	(963)
Balance at the end of the period	22,152	21,645

**Notes to the condensed consolidated interim financial statement**

**8. Exploration and evaluation expenditure (continued)**

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. At balance date the carrying amount of exploration and evaluation expenditure was \$22,152,009 of which \$22,048,262 was attributable to the Mount Peake project and the balance relating to Cawse Extended and other current exploration programs.

**9. Subsequent events**

Other than as mentioned above or elsewhere in this report, the financial statements or notes thereto, at the date of this report, there are no other matters or circumstances which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- a) the Consolidated Entity's operations in futures years, or
- b) the results of those operations in future financial years, or
- c) the Consolidated Entity's state of affairs in future financial years.



## **TNG Limited and Controlled Entities Half-Year Financial Report**

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### **Directors' Declaration**

In the opinion of the directors of TNG Limited ("the Company"):

- 1 the condensed consolidated financial statements and notes set out on pages 11 to 17, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Group as at 31 December 2017 and of its performance, for the six months ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



**Paul E Burton**  
Managing Director

13 March 2018

## TNG Limited and Controlled Entities

### Half-Year Financial Report

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#### Regulatory Disclosures

#### 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 20 November 2017, (see ASX Announcement – 20 November 2017, “[Updated Feasibility Study Results](#)”, [www.tngltd.com.au](http://www.tngltd.com.au) and [www.asx.com.au](http://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 20 November 2017 continue to apply and have not materially changed.

#### Mount Peake Mineral Resource.

Category	Tonnes (Mt)	V <sub>2</sub> O <sub>5</sub> %	TiO <sub>2</sub> %	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %
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
<b>TOTAL</b>	<b>160</b>	<b>0.28</b>	<b>5.3</b>	<b>23</b>	<b>8.6</b>	<b>34</b>

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% V<sub>2</sub>O<sub>5</sub> cut-off.

#### Competent Person's Statement

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](http://www.tngltd.com.au) and [www.asx.com.au](http://www.asx.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 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.



# Independent Auditor's Review Report

To the members of TNG Limited

## Report on the Half-year Financial Report

### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of TNG Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of TNG Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed consolidated interim statement of financial position as at 31 December 2017
- Condensed consolidated interim statement of profit or loss and other comprehensive income, Condensed consolidated interim statement of changes in equity and Condensed consolidated interim statement of cash flows for the half-year ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises TNG Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

### Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.





## Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of TNG Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

KPMG

Jane Bailey

KPMG

Jane Bailey  
Partner

Perth  
13 March 2018