

TNG LIMITED

**HALF-YEAR
FINANCIAL REPORT**

31 December 2018

ABN 12 000 817 023

TNG Limited and its controlled entities

Corporate Information

Directors

Paul Burton	(Managing Director)
John Elkington	(Non-Executive Director and Chairman – Appointed 1 February 2019)
Rex Turkington	(Non-Executive Director)
John Davidson	(Non-Executive Director)
Greg Durack	(Non-Executive Director)

Company Secretary

Jason Giltay

Registered Office

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Subiaco WA 6008
Telephone: (08) 9327 0900
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Website: www.tngltd.com.au
Email: corporate@tngltd.com.au

Auditor

KPMG
235 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges 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

The directors of TNG Limited (the "Company" or "TNG") present their report on the consolidated entity, consisting of the Company and its subsidiaries, together with the consolidated financial statements for the six months ended 31 December 2018 and the review report thereon.

Directors

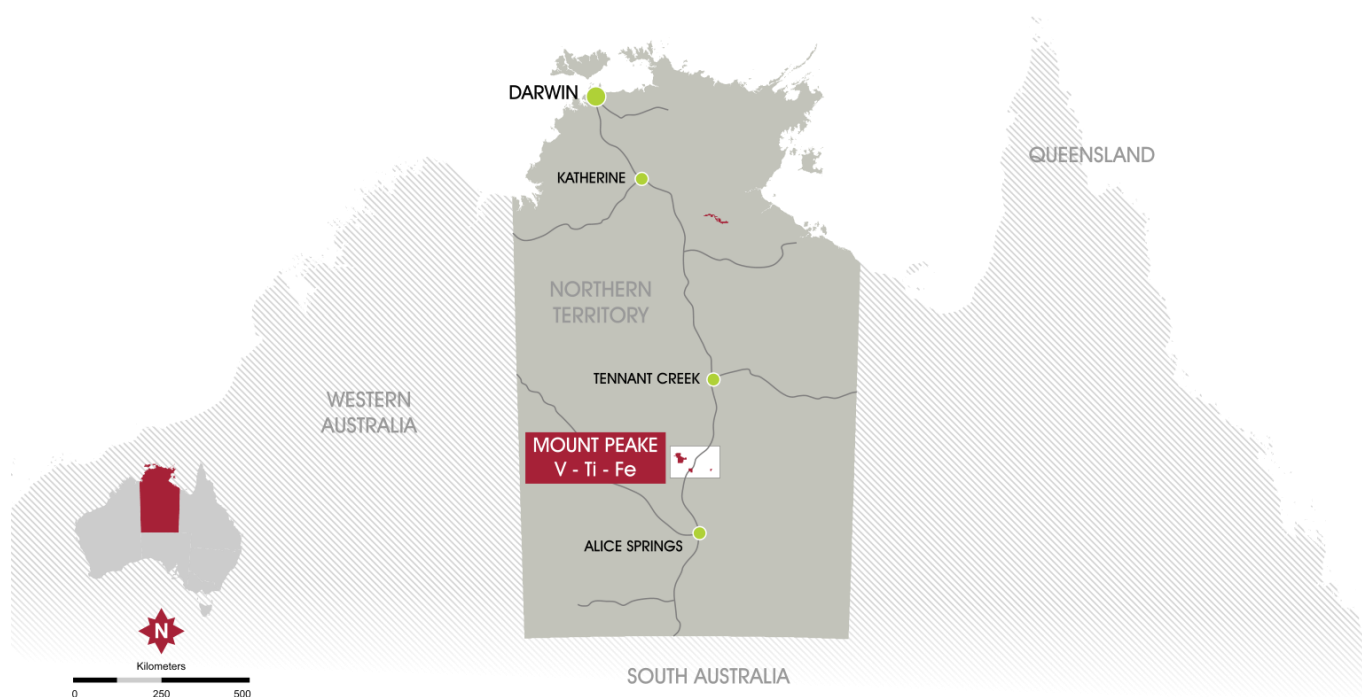
The directors of the Company at any time during or since the end of the interim period are:

Paul Burton	(Managing Director)
John Elkington	(Non-Executive Director and Chairman – Appointed 1 February 2019)
Rex Turkington	(Non-Executive Director)
John Davidson	(Non-Executive Director)
Greg Durack	(Non-Executive Director)

REVIEW OF OPERATIONS

Overview

The half year ended 31 December 2018 was an active and productive period for the Company as it progresses towards development of its 100% owned world class Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory, Australia, with a number of key milestones achieved in the areas of project financing, permitting, off-take, engineering and design.



Commencement of Front-End Engineering and Design

During the reporting period, the Company appointed the leading German-based metallurgical engineering group SMS group to commence the key Front-End Engineering and Design ("FEED") process for the Mount Peake Project under an expanded scope which includes all project components. See ASX announcement dated 2 November 2018.

Under the mandate, SMS group will include in its comprehensive FEED process all process plant equipment required for the Mount Peake operation, including the mine site Concentrator and associated TIVAN® downstream processing plant, as well as all associated plant and equipment.

In addition, TNG successfully negotiated the work scope with SMS group to result in a fixed-price Engineering Procurement and Construction (EPC) proposal, as well as for SMS group to provide TNG with production quantity, production rate and product quality guarantees.

Under the contract, SMS group will now design and engineer the entire processing flow sheet for the Mount Peake Project, which includes the mine site Concentrator, where magnetite concentrate is to be produced, and the downstream processing plant, where three high-purity and high-value products – vanadium pentoxide, titanium dioxide and iron oxide – will be produced.

The downstream processing plant will utilise TNG's 100%-owned TIVAN® hydrometallurgical process. The scope of work for the TIVAN® plant will include a titanium pigment plant – to be developed in collaboration with TNG's nominated sub-contractor, Ti-Cons (see ASX announcement dated 26 September 2018).

The FEED process commenced during the half year.

Mandate for US\$600m Project Finance Package

During the reporting period, the Company appointed Germany's KfW IPEX-Bank GmbH as its exclusive senior debt advisor and arranger to lead a US\$600 million debt raise for the development and construction of the Mount Peake Project. KfW IPEX-Bank, which is owned by the German Government, is a specialised solution provider in export and project financing with a proven track record for complex project financings worldwide. See ASX announcement dated 13 December 2018.

Under the mandate letter, KfW IPEX-Bank will structure, coordinate, lead, arrange and manage a syndicate to raise a targeted amount of US\$600 million (A\$850 million) to underpin the project financing package. The final capital requirements will be precisely determined and optimised during the ongoing Mount Peake FEED study and lender's due diligence.

During the due diligence process, the adequate levels of contingencies, working capital, debt service reserve amounts and project owner's costs will be fully evaluated as part of the capital requirements and the entire senior debt financing package will be structured accordingly.

KfW IPEX-Bank has already been working closely with SMS Financial Services and TNG to refine and optimise the Mount Peake financial model for the CAPEX and OPEX assumptions during the FEED study, led by TNG's strategic engineering and construction partner, SMS group. Through this early involvement, the parties will aim to achieve an improved debt/equity structure that is tailored to match the economic profile of the Mount Peake Project.

Under the mandate, KfW IPEX-Bank's role will include advising TNG on how to maximise, to the greatest extent possible, cover instruments available from export credit agencies (ECA's).

The Company has also commenced discussions with advisors for the expected equity portion of the project.

The Mandate commenced on 15 January 2019.

Titanium Dioxide Pigment Marketing and Off-take Agreement

During the reporting period, the Company signed a Binding Term Sheet with one of the world's leading special chemical market expansion services providers, DKSH, to purchase, on a life-of-mine basis, up to 100% of the titanium dioxide (TiO₂) pigment produced from the Mount Peake Project. See ASX announcement dated 30 October 2018.

Together with the binding agreements already in place for TNG's vanadium and iron products, the signing of a Binding Term Sheet with DKSH marks another important step in the Company's commercial strategy and paves the way for the next stages of financing and development of the Mount Peake Project.

Headquartered in Zurich and with a history dating back over 150 years, DKSH is deeply rooted in communities all across the Asia-Pacific region. The company offers any combination of sourcing, marketing, sales, distribution and after-sales-services and is organized into four Business Units: Consumer Goods, Healthcare, Performance Materials and Technology. Its core business is supporting other companies to grow their business in new or existing markets.

The Binding Term Sheet encompasses the titanium dioxide (TiO₂) pigment products that will be produced by TNG's proprietary TIVAN® hydrometallurgical process, incorporating the innovative new process announced earlier in 2018 (see ASX announcement, 26 February 2018).

The final Binding Offtake Agreement, based on the agreed Binding Terms, has been drafted and is currently under review by both parties with the intention to finalize and execute it in the first half of 2019.

Project Approvals - Native Title Agreement Executed and Mineral Leases Granted

Significant progress was made towards the completion of all project approvals at Mount Peake during the reporting period, with the execution of a formal Native Title Mining Agreement and the award of the Mount Peake Mineral Leases. See ASX announcements dated 11 October 2018 and 21 November 2018.

The Native Title Mining Agreement was entered into between TNG, TNG's wholly-owned project-level subsidiary (Enigma Mining Limited), the Central Land Council (CLC) and Eynewantheyne Aboriginal Corporation RNTBC, the registered native title body corporate for the native title holders of the land at Mount Peake (Native Title Holders).

The Agreement covers a range of commercial and non-commercial items that are confidential in nature. The Agreement is structured to ensure that employment, training and other benefits from the development of the world-class Mount Peake Project will flow back to the Native Title Holders and the local community.

Following the execution of the Native Title agreement, the Mineral Leases covering the Mount Peake mine site and associated infrastructure were granted by the Northern Territory Minister for Primary Industry and Resources.

The grant of all required leases provides TNG with security of tenure, allowing the Company to proceed with the overall financing package required to underpin the Project's development.

In addition, the Access Authorities covering the Mount Peake mine site and associated infrastructure were granted during the reporting period. The two AA's cover the proposed haul road as well as the Project bore field and water pipeline. See ASX announcement dated 3 December 2018.

Heads of Agreement with Ti-Cons

During the reporting period, the Company signed a binding Heads of Agreement with industry leading German technology provider, Ti-Cons, for the supply of a technology package for titanium pigment production from the Mount Peake Project. See ASX announcement dated 26 September 2018.

The technology package to be supplied by Ti-Cons under this agreement encompasses all of the TiO₂ pigment products that will be produced by the Company's proprietary TIVAN® hydrometallurgical process, incorporating the innovative new TiO₂ pigment production process.

Under the agreement, Ti-Cons will provide TNG with a full commercial design contract for the delivery of the TiO₂ pigment production process which will be incorporated into the final engineering process design for the Mount Peake Project.

The TiO₂ pigment production process will incorporate the titanium pigment recipe for TNG's pigment type, which is expected to be a highly durable TiO₂ pigment for outdoor coatings applications, plus the full design for the pigment plant including engineering, construction support, procurement support, training and commissioning, plus process and product guarantees.

TNG Limited and its controlled entities Directors' Report

Mount Peake Mine Site - Mine Management Plan

The development of the Mine Management Plan ("MMP") for the Mount Peake Mine Site and Concentrator was completed during the reporting period and is now being finalised. Finalisation of the MMP requires the addition of detailed planned mining schedules, mine structural information and continued environmental monitoring of the area.

Concurrently, the Company is working towards a community benefit fund for the Mount Peake area which will help support the local community. The MMP is expected to be submitted shortly.

TIVAN Processing Plant EIS

During the reporting period, the Company advanced development of the Environmental Impact Statement ("EIS") for the proposed TIVAN® downstream processing plant facility in Darwin. TNG's appointed consultant, Animal Plant Mineral ("APM") performed seasonal biological surveys in support of the EIS. A number of other contractors have been appointed to conduct monitoring activities for air, dust, noise and water studies.

APM is continuing to assess the environmental factors specific to the proposed processing plant location and engaging with the Northern Territory Environment Protection Agency (NTEPA).

The EIS is nearing completion. The Company has also continued to assess feasible alternative sites in case of any adverse findings.

Project Planning and Development

Project planning and pre-development planning activities for the Mount Peake Project progressed on a number of fronts during the reporting period, including:

- A detailed review of the Mount Peake Concentrator was undertaken with Como Engineers, together with further enhancement of the Processing Plant facility design. The Como Engineers' design of the concentrator at the mine site has been included as part of the FEED process.
- Delivery of an energy supply strategy for the Mount Peake Mine Site and Concentrator, and the Darwin Processing Plant.
- Ongoing development of proposed logistics channels including the rail link between the mine site and the Darwin processing facility, and availability of consumables required for the Project.
- Detailed mine scheduling was completed by Snowden Mining Industry Consultants, with mine schedules designed to maximise the value of the current Resource.
- Additional appointments to the Project Development team.

Strategic Business Development - Todd Corporation and the Balla Balla Infrastructure Group (BBIG)

Previous sighter test work performed on the Balla Balla project under a Heads of Agreement between TNG and the BBI Group displayed positive results, showing the TIVAN® Process is amenable to the Balla Balla ore body. The results of that work are now being reviewed by both parties ahead of discussions on potential commercial options.

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. No further information was supplied by Mesmeric Enterprises during the reporting period.

CORPORATE

Strategic Investment by Vimson Group

During the reporting period, the Company executed a binding subscription agreement with leading Indian mining conglomerate the Vimson Group, through its Singapore-based, wholly owned subsidiary, V.M. Salgaocar & Bro. (Singapore) Pte Ltd., for a strategic investment into TNG of approximately \$10M for total issue of 96,153,847 fully paid ordinary shares.

The Company considers that the strategic nature of the investment and the long term potential for a leading iron ore producer to be involved in TNG's operation represents a significant vote of confidence both in the project and the Company's financing and development strategy.

The Vimson Group is a family-owned Indian conglomerate with extensive interests in mineral resources, financial services, real estate development, healthcare and sports. Its head office is in Goa, India with other offices in Mumbai, Delhi, Bengaluru, and Singapore. The Vimson Group has been in the business of mining, processing and transporting iron ore from its fully integrated supply chain in India since 1952 and has been supplying leading Japanese, Korean and Chinese companies including Nippon Steel and POSCO.

Share Purchase Plan

During the reporting period, TNG successfully raised \$3.87M (before costs) via a Share Purchase Plan ("SPP") which resulted in the issue of 35,459,888 fully-paid ordinary shares.

Under the terms of the SPP, eligible shareholders were offered the opportunity to subscribe for up to \$15,000 worth of shares at an issue price of 10.9c per share.

Research & Development Refund

During the reporting period, TNG received the amount of \$1,551,006 before costs as a refundable tax offset under the Federal Government's Research and Development ("R&D") tax incentive scheme for eligible R&D activities undertaken during the 2017/18 financial year.

TNG's R&D activities relate to its flagship Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory, and test work for the commercial extraction of high-purity vanadium, titanium and iron from vanadiferous-titanomagnetite using the patented TIVAN® hydrometallurgical process.

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.

TNG Limited and its controlled entities Directors' Report

Working Capital

TNG had total cash reserves of \$16.7 million and working capital of \$14.5 million at the end of the reporting period. 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 9 and forms part of the Directors' Report for the six months ended 31 December 2018.

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.

Signed in accordance with a resolution of the Directors.



Paul E Burton
Managing Director

6 March 2019



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 2018 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

KPMG

Jane Bailey

Jane Bailey
Partner

Perth
6 March 2019

Condensed Consolidated Interim Statement of Profit or Loss and other Comprehensive Income
For the six months ended 31 December 2018

		31 December 2018	31 December 2017
	Note	\$'000	\$'000
Other Income		331	467
Gain on sale of tenements		-	80
Total income		331	547
Occupancy expenses		(102)	(91)
Administrative expenses		(126)	(148)
Employment expenses		(922)	(626)
Corporate expenses		(1,378)	(817)
Depreciation and amortisation expense		(24)	(30)
Impairment of equity investments	7	-	(420)
Results from operating activities		(2,221)	(1,585)
Financial income		123	52
Financial expenses		-	-
Net financing income/(Expense)		123	52
Loss before income tax		(2,098)	(1,533)
Income tax benefit/(expense)		-	-
Loss for the period		(2,098)	(1,533)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Equity Investments at FVOCI-net change in fair value		(196)	81
Other comprehensive income for the period		(196)	81
Total comprehensive loss for the period		(2,294)	(1,452)
Earnings/(loss) per share (cents per share)			
Basic and diluted earnings/(loss) per share (cents per share)		(0.24)	(0.19)

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 2018

	Note	31 December 2018	30 June 2018
		\$'000	\$'000
Current Assets			
Cash and cash equivalents		16,745	5,729
Other receivables		677	512
Prepayments		127	61
Total current assets		17,549	6,302
Non-Current Assets			
Other investments	7	515	711
Plant and equipment		88	68
Exploration and evaluation expenditure	8	25,935	23,759
Total non-current assets		26,538	24,538
Total assets		44,087	30,840
Current Liabilities			
Trade and other payables		2,662	1,050
Provisions		342	315
Total current liabilities		3,004	1,365
Total liabilities		3,004	1,365
Net assets		41,083	29,475
Equity			
Issued capital	9	86,396	72,494
Reserves		(3,033)	(2,123)
Accumulated loss		(42,280)	(40,896)
Total equity		41,083	29,475

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 2018

	31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	338	428
Cash paid to suppliers and employees	(2,599)	(1,832)
Interest received	67	57
Net cash (used in) operating activities	(2,194)	(1,347)
Cash flows from investing activities		
Payments for exploration and evaluation	(2,131)	(2,475)
Research and Development rebate	1,551	1,731
Payments for plant and equipment	(44)	(2)
Proceeds from sale of tenements	-	80
Proceeds from refund of security bonds	33	6
Payments of security bonds	(100)	(46)
Net cash (used in) investing activities	(691)	(706)
Cash flows from financing activities		
Proceeds from issue of shares	13,983	-
Cost of shares issued	(82)	-
Net cash received from financing activities	13,901	-
Net increase (decrease) in cash and cash equivalents	11,016	(2,053)
Cash and cash equivalents at 1 July	5,729	6,758
Cash and cash equivalents at 31 December	16,745	4,705

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 2018**

	Issued Capital	Accumulated loss	Fair Value Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	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)
Transactions with owners, recorded directly in equity				
Transfer to profit or loss	-	-	420	420
Balance at 31 December 2017	68,790	(39,113)	(2,105)	27,572
Balance at 1 July 2018	72,494	(40,896)	(2,123)	29,475
Adjustment for transition to new accounting standards ⁽¹⁾	-	714	(714)	-
Restated balance at 1 July 2018	72,494	(40,182)	(2,837)	29,475
Other comprehensive income	-	-	(196)	(196)
Net loss for the period	-	(2,098)	-	(2,098)
Total comprehensive loss for the period	-	(2,098)	(196)	(2,294)
Transactions with owners, recorded directly in equity				
Share placement	13,866	-	-	13,866
Loan funded share plan – loan repayment	118	-	-	118
Cost of share issue	(82)	-	-	(82)
Balance at 31 December 2018	86,396	(42,280)	(3,033)	41,083

(1) Refer to Note 3 Significant accounting policies

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 2018 comprises the Company and its subsidiaries (together referred to as the “Group”). The Group is a for profit entity and is primarily 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 2018 is available upon request from the Company’s registered office at Suite 20, 22 Railway Rd Subiaco 6008 or at 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 2018.

The consolidated half-year financial report was approved by the Board of Directors on 6 March 2019.

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 2018 except for the new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2018. New standards are:

AASB 9 Financial Instruments

(i) Classification and measurement of financial assets and financial liabilities

AASB 9 largely retains the requirements in AASB 139 *Financial Instruments: Recognition and Measurement* for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities.

Under AASB 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (“FVOCI”); or fair value through profit or loss (“FVTPL”). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

TNG Limited and Controlled Entities Half-Year Financial Report

Notes to the condensed consolidated interim financial statements

3. Significant accounting policies (continued)

The following table and notes below explain the original measurement under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets as at 1 July 2018.

	Classification under AASB 139	Classification under AASB 9	Carrying amount \$'000
<i>Financial assets</i>			
Cash and cash equivalents	Loans and receivables	Amortised cost	5,729
Other receivables	Loans and receivables	Amortised cost	512
Investments in equity instruments – FVOCI (a)	Available for sale	Designated as FVOCI	711
<i>Financial liabilities</i>			
Trade and other payables	Other financial liabilities at amortised cost	Amortised cost	1,050

(a) Investments in equity instruments represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by AASB 9, the Group has designated these investments at the date of initial application as measured at FVOCI. In accordance with AASB 9, all movements in fair value will be recorded in a separate component of equity, whereas previously under AASB 139, changes in the fair value of these investments were recognised as a separate component of equity except for impairment losses which were recognised in the profit or loss. Unlike AASB 139, the accumulated fair value related to these investments will never be reclassified to profit or loss.

(i) Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. The below summarises the impact, net of tax, on transition to AASB 9 on retained earnings at 1 July 2018.

	Impact of adopting AASB 9 on opening balance
Accumulated Loss	
Closing balances under AASB 139	(40,896)
Transfer of accumulated impairment loss from Accumulated Loss for equity instruments to Fair Value Reserve	714
Opening balance under AASB 9	(40,182)

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations.

As there is no revenue generated by the Group during the period, AASB 15 has no impact on the Group's accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the half year ended 31 December 2018. As a result of this review, the Directors have determined that there is no material impact of the standards and interpretations in issue not yet adopted on the Group and therefore, no change is necessary to Group accounting policies.

TNG Limited and Controlled Entities

Half-Year Financial Report

Notes to the condensed consolidated 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 2018.

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.

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. Other Investments

	31 December 2018 6 months \$,000	30 June 2018 12 months \$,000
Balance at the beginning of the period	711	942
Revaluation recognised in other comprehensive income	(196)	63
Impairment of equity investments	-	(294)
Balance at the end of the period	515	711

The group's investments in equity securities are classified as Other Investment assets. Subsequent to initial recognition, they are measured at fair value. Gains and losses are recognised in OCI and are never reclassified to profit or loss. During the reporting period, TNG recognised the amount of \$196,067 as revaluation movement due to decline in share prices.

TNG Limited and Controlled Entities

Half-Year Financial Report

Notes to the condensed consolidated interim financial statements

8. Exploration and evaluation expenditure

Cost	31 December 2018 6 months \$,000	30 June 2018 12 months \$,000
Balance at the beginning of the period	23,759	21,645
Exploration and evaluation expenditure	3,727	3,890
Impairment	-	(45)
Research and development rebate	(1,551)	(1,731)
Balance at the end of the period	25,935	23,759

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 \$25,934,805 of which \$25,831,058 was attributable to the Mount Peake project and the balance relating to Cawse Extended and other current exploration programs.

9 Issued Capital

	31 December 2018 6 months \$,000	30 June 2018 12 months \$,000
Issued and paid-up share capital	86,396	72,494

Movements in shares on issue

	31 December 2018 6 months		30 June 2018 12 months	
	Number	\$'000	Number	\$'000
Balance at the beginning of the period	831,853,710	72,494	804,514,214	68,790
Share placement	131,613,735	13,866	26,974,655	3,911
Options exercised	-	-	364,841	70
Loan Funded Share Plan	-	118	-	-
Share issue costs	-	(82)	-	(277)
Balance at 31 December 2018	963,467,445	86,396	831,853,710	72,494

Notes to the condensed consolidated interim financial statements

10. Contingencies

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.

	31 December 2018	30 June 2018
	6 months \$'000	12 months \$'000
Balance at the beginning of the year	118	47
A guarantee has been provided to support unconditional environmental performance bonds	67	71
Total estimated contingent liabilities	185	118

The group has a security deposit of \$47,029 representing bank guarantees for office leases and \$100,000 for native title agreement with Central Land Council. Another \$38,392 security bond for various tenements paid directly to the Department of Primary Industry and Resources.

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 31 December 2018.

11. Subsequent events

The Directors are not aware of any matters or circumstances which have arisen since 31 December 2018 that have significantly affected or may significantly affect:


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

TNG Limited and Controlled Entities 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 10 to 18, 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 2018 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

6 March 2019



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 2018 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 statement of financial position as at 31 December 2018
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 11 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*
- 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 2018 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*.

A handwritten signature of the KPMG firm, with the letters 'KPMG' in a stylized, cursive script.

KPMG

A handwritten signature of Jane Bailey, written in a cursive script.

Jane Bailey
Partner

Perth
6 March 2019

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 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 20 November 2017 continue to apply and have not materially changed.

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 and 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.

The information in this report that relates to the Mount Peake Ore Reserve estimate is extracted from an Announcement dated July 31 2015, ("Mount Peake Feasibility Study confirms a world — class project capable of delivering outstanding returns over long life", www.tngltd.com.au and 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 Ore Reserve estimate 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.