

TNG TAKES PIVOTAL STEP TO SECURING FUNDING FOR MOUNT PEAKE PROJECT WITH GERMAN ENGINEERING Group AGREEMENT TO JOINT TECHNOLOGY EXCHANGE FOR COMMERCIAL DEVELOPMENT OF TIVAN REFINERY

SMS group to play key role in obtaining project debt funding from German Export Credit Agency

Key Points

- Memorandum of Understanding signed with SMS group GmbH, one of the world's biggest metallurgical engineering and construction companies, for the joint commercial exploitation of the technology underpinning the TIVAN™ downstream refinery.
- Under the MOU, TNG and SMS will investigate the most feasible structures to jointly exploit their IP, including via cross-licencing, patent pooling, joint ventures or other arrangements.
- TNG will grant SMS – which has already signed a binding agreement for the engineering, design and construction of the TIVAN™ refinery in Darwin – and its customers the right to use TNG's TIVAN™ IP in exchange for a royalty, while SMS will grant TNG the right to use its specific complementary IP in TNG's refineries.
- The agreement further cements the relationship between TNG and SMS group, which has already undertaken to provide assistance for obtaining the funding of the construction of the TIVAN™ refinery through an Export Credit Agency or other structured finance options available.
- SMS group is a significant user of Germany's Export Credit Agency scheme. The main objective being to safeguard German jobs through exports by providing competitive finance options to projects.
- The signing of the MOU follows a visit by a delegation of senior SMS executives including SMS group Board member Harald Rackel to the Mount Peake Project and the site of the TIVAN™ refinery in Darwin, as well as a meeting with NT Chief Minister Adam Giles.

Australian strategic metals company TNG Limited (ASX: TNG) is pleased to advise that it has taken another major step towards the financing and development of its 100%-owned **Mount Peake Vanadium-Titanium-Iron Project** in the Northern Territory after signing a crucial MOU with global engineering giant, SMS group GmbH, which will see the companies join forces to commercialise the technology underpinning the TIVAN™ downstream refinery and investigate opportunities to grant each other access to their respective intellectual property.

The signing of the MOU, which builds on a binding Heads of Agreement signed earlier this year for the engineering, design and construction of the TIVAN™ refinery in Darwin, represents a major vote of confidence by one of world's largest metallurgical engineering and construction companies in the future of the Mount Peake Project – and cements SMS group's participation as part of the financing and development consortium.

It follows a site visit by a high-level SMS group executive delegation to the Mount Peake Project over the weekend, including a tour of the project site and the proposed site of the TIVAN™ refinery in Darwin.

The delegation also met with NT Chief Minister Adam Giles to discuss the Mount Peake Project, which is poised to become one of the most significant new resource projects in Australia over the next few years which will deliver a range of positive economic and social benefits for northern Australia.

Last year TNG completed a Definitive Feasibility Study (DFS) for the A\$970 million Mount Peake Project, confirming a potential world-class project capable of generating outstanding returns. Key findings of the DFS included life-of-mine net cash flow of \$11.6 billion, a pre-tax IRR of 41% and an NPV₈ of \$4.9 billion (see ASX Announcement – 31 July 2015). The DFS forecasts Mount Peake's nameplate capacity at 17,560tpa of high-purity vanadium pentoxide (V₂O₅), 236,000tpa of titanium dioxide (TiO₂) and 637,000tpa of pig iron over an initial life of 17-years,

TNG's ASX Announcement regarding the DFS (dated 31 July 2015) contains a Competent Person's statement. TNG confirms that it is not aware of any new information or data that materially affects the information included in the 31 July 2015 announcement and that all the material assumptions and technical parameters underpinning the estimates in the 31 July 2015 announcement continue to apply and have not materially changed.

SMS Group GmbH is of the leading global system suppliers of plants, machines and services along the entire metallurgical value chain, with a global workforce of approximately 13,000 employees. It has assisted with many aspects of the Mount Peake DFS including metallurgical test work, flowsheet verification, financial modelling and with the final compilation of the DFS report.

Key Terms of the New MOU with SMS group

The MOU with SMS group – which has been involved with the Mount Peake Project since 2011 and played a key role in the Definitive Feasibility Study – marks another important step in the collaboration and cooperation between the two companies.

Under the MOU, the parties have confirmed their mutual intent to establish appropriate structures and/or contractual frameworks to ensure an alignment of their business interests in the future marketing of their combined IP and will work together to explore the best avenues to commercially exploit their IP. This could be via a cross-licensing agreement, a patent pool, patent pooling, a joint venture or any other arrangement deemed most suitable for balancing the respective rights and obligations. Key elements of the MOU include:

- SMS group to grant TNG the right to use its TIVAN™ IP in TNG's wholly or majorly owned refineries for the processing of titaniferrous ores on the condition that those refineries are supplied by SMS;
- In the event that TNG elects to procure such a refinery from another vendor, SMS shall grant TNG a license to use its TIVAN™ IP against payment of an adequate royalty (to be discussed) in each case;
- TNG shall grant SMS as an equipment supplier and plant builder, as well as its respective customers the right to use TNG's TIVAN™ IP against payment of an adequate royalty (to be discussed) in each case;
- Any future inventions and or any other IP by the Parties applicable to the processing of titaniferrous ores based on a hydrochloric acid or ferric chloride leach shall be disclosed to each other and licensed under the conditions outlined above.

The MOU builds on the binding Heads of Agreement signed earlier this year under which SMS agreed to undertake full due diligence on the relevant detailed technological and technical aspects of the Mount Peake DFS relating to the TIVAN® refinery; upon final validation provide engineering and design for tender of the refinery construction as well as firm equipment cost; and provide assistance for arranging the funding and the construction of the TIVAN® refinery which may include an Export Credit Agency backed financing or other structured finance tools.



SMS Group Board Member Harald Rackel and TNG Managing Director Paul Burton signing the Memorandum of Understanding



Representatives of SMS Group and TNG Ltd outside the Northern Territory Parliament House

TNG’s Managing Director, Mr Paul Burton, said the MOU with SMS group marked a highly significant new step in the Company’s financing and development strategy for the Mount Peake Vanadium Project.

“By agreeing to pool our respective patents and technologies, TNG and SMS group join forces in a powerful combination which we are confident will mark an important step towards securing financing for this world-class project,” he said.

“The string of recent agreements between TNG and SMS represent a substantial vote of confidence by a major global player in the metallurgical plant building industry in the potential of the TIVAN™ Process, the quality of the Mount Peake Project and our ability to secure financing on attractive terms. SMS group has emerged as a powerful strategic partner, and we look forward to their ongoing involvement at Mount Peake as we move closer to development.

“This cements their involvement in our development consortium and ensures we can now draw on the technical expertise, technological prowess and financial strength of one of the world’s pre-eminent metallurgical engineering and plant building groups moving forward,” he added. “SMS group is one of the largest users of the German-based Export Credit Agency scheme, and their close involvement in the project gives us the opportunity to access to this highly attractive financing option for the project.”

Paul E Burton
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5 May 2016

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About TNG

TNG is building a world-scale strategic metals business based on its flagship 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory. Located 235km north of Alice Springs, Mount Peake will be a 20-year plus project producing a suite of high-quality, high-purity strategic metals products for global markets including vanadium pentoxide, iron oxide and titanium dioxide. The project, which will be a top-10 global producer, has received Major Project Facilitation status from the NT Government.

Forward-Looking Statements

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