



# TNG LIMITED

OCTOBER 2013  
QUARTERLY REPORT

## TNG STRENGTHENS ITS FINANCES, CONSOLIDATES ITS PROJECTS AND SHARPENS ITS FOCUS ON MOUNT PEAKE

TNG takes further important steps towards development of the Mount Peake Vanadium-Titanium-Iron Project with the Definitive Feasibility Study progressing, important improvements identified in the Project's financial parameters and forecast returns and the Project awarded Major Project Status by the Northern Territory Government. At the same time, the Company consolidated and optimised its project development strategy, reducing costs in response to current market conditions and strengthening its financial position to ensure it is well placed for future growth.

### MOUNT PEAKE VANADIUM-TITANIUM-IRON PROJECT (NT)

- Alternative arrangements implemented with supporting contractors after management of the DFS was transferred in-house. These arrangements, together with the decision to defer completion of the DFS until 2014, will ensure TNG can achieve a high-quality DFS at reduced cost.
- Significant improvements identified in the Mount Peake Project's financial parameters and forecast returns as a result of the recent fall in the Australian Dollar following an independent technical review.
- Major Project Status awarded by the NT Chief Minister, the Honourable Adam Giles. This provides a "whole of Government" approach to project development, recognising it is a project of significance to the Northern Territory.



## TIVAN® HYDROMETALLURGICAL PROCESS

- TNG signs binding agreement with process engineering group Mineral Engineering Technical Services Pty Ltd ("METS") to acquire 100% of the TIVAN™ hydrometallurgical process for titanomagnetite hosted vanadium ores, positioning the Company to complete final commercialisation of the technology.

## OTHER PROJECTS

- Binding Term Sheet signed to sell the Manbarrum Zinc-Lead-Silver Project in the Northern Territory to Legacy Iron Ore (ASX: LCY) for \$5M. The proposed sale is consistent with TNG's focus on the Mount Peake Project and demonstrates its ability to realise value from its substantial portfolio of non-core mineral assets in the NT.
- Three large geochemical anomalous zones with geophysical anomalies outlined from a review of historical data at the McArthur River Project, 60km south of the world-class McArthur River Zinc Mine (Xstrata), including a central continuous geochemical zone 3,000m long and up to 450m wide with anomalous analytical values up to 1,400ppm Zn and 670ppm Pb from soil samples.
- Adjoining tenement acquired at McArthur River, increasing TNG's tenure to 223km<sup>2</sup> including 17 strike kilometres of highly prospective stratigraphy. Field program at McArthur River to commence shortly to refine target areas.
- Discussions commenced with a number of parties regarding a potential farm-in joint venture at the Mount Hardy Copper-Gold Project, to secure external funding to progress this promising Project to the next level.

## CORPORATE

- Multi-pronged strategy implemented to optimise project development strategy and reduce costs, with changes designed to streamline TNG's operations in the current difficult market and ensure it can cost effectively progress its key assets to create shareholder value.
- Strategic cost expenditure reductions implemented covering remuneration, corporate and administrative overheads and project reviews, including 10-20% reduction in fees and salaries for Directors, management and staff, corporate and administrative cost savings and reductions in supplier contracts.
- \$1.2M raised through a well-supported Securities Purchase Plan (SPP), with total take-up of 34%. The entire shortfall was subsequently placed to existing and new investors, raising a further \$2.3M and increasing the total to \$3.5M.
- \$3.2M Research & Development refund claim received under the Federal Government's R&D tax incentive scheme.
- The Supreme Court of the Australian Capital Territory delivered its judgement on the Davis Samuel case on 1 August 2013. TNG views the overall outcome of the judgement and the Company's options as positive.
- Cash reserves of \$4.8M at Quarter-end.





## SUMMARY

The September 2013 Quarter was a pivotal period for TNG as the Company moved decisively to streamline and focus its project development strategy, strengthen its financial position, reduce costs and position itself to maximise the value of its flagship asset, the Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory.

While important steps were taken to reduce expenditure and streamline the ongoing Definitive Feasibility Study (DFS) at Mount Peake, TNG also achieved some important milestones with the project being granted Major Project Status by the NT Government.

On the corporate front, the Company successfully bolstered its financial position with a strongly supported Securities Purchase Plan (SPP) which raised \$1.2 million and received \$3.2 million from a Research & Development refund claim under the Federal Government's R&D tax incentive scheme. Subsequent to Quarter-end, the entire shortfall from this SPP has been successfully placed, raising a further \$2.3 million.

This puts TNG in an exceptionally strong position to move forward in what remains a very tough market for junior resource companies with a clear focus to progress its key assets and unlock value for shareholders.

## PROJECTS

### VANADIUM-TITANIUM-IRON

#### 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 compliant Measured, Indicated and Inferred Resource totalling 160Mt grading 0.25% V<sub>2</sub>O<sub>5</sub>, 5.3% TiO<sub>2</sub> and 23% Fe, Mount Peake is rapidly emerging as one of the largest new vanadium-titanium-iron projects in Australia. 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 is in the process of completing a Definitive Feasibility Study (DFS) on the Mount Peake Project which is due for completion in 2014. A Pre-Feasibility Study (PFS) outlined a robust project capable of generating Life of Mine revenues of \$13.6 billion over a +20-year mine life from the production of high quality and purity products: vanadium pentoxide, iron-oxide and titanium dioxide. TNG is also reviewing a two-stage development option with a low capital cost start-up development producing magnetite concentrate which has the potential to generate early cash flow.

#### Definitive Feasibility Study (DFS) Progress

Work continued during the Quarter on the Mount Peake Definitive Feasibility Study (DFS) under the revised structure and arrangements outlined last Quarter as a result of the decision to transfer management of the DFS in-house following the appointment of administrators to Arccon Mining Services Pty Ltd. TNG estimates that this new management structure will result in annual cost savings to the Company of approximately \$0.5 million.

Several alternative arrangements have been put in place with supporting contractors to ensure that TNG can achieve a high- quality DFS at a reduced cost. With reduced expenditure over the next six months, the DFS work schedule has been revised and completion is now expected by end Q1 2014.

As previously advised, the Company is in discussion with potential funding parties to underpin the development of Mount Peake and is also considering two alternative scenarios which could deliver significant financial benefits to TNG and strengthen the Project economics.

TNG and its key shareholders remain firmly of the view that Mount Peake is a world quality asset containing a group of strategic commodities that

will remain in high demand in China, Europe and the USA for many decades to come, even in a lower economic growth scenario.

### Mount Peake Project Economics Boosted

During the Quarter, the Company received the results of an independent technical review of the Mount Peake Project, which identified significant improvements to the Project's financial parameters and forecast returns as a result of the recent fall in the Australian Dollar exchange rate.

The technical review – which was conducted by Snowden Mining Industry Consultants Pty Ltd as part of the ongoing Definitive Feasibility Study (DFS) on the Mount Peake Project – has highlighted the strength and robustness of the Project.

TNG advises that this technical review modifies the July 2012 PFS, which was based on a Mineral Resource estimate reported under the then current guidelines of the 2004 JORC Code. TNG's subsequent March 2013 Mineral Resource estimate is reported under the 2012 JORC Code guidelines and this estimate is the subject of the DFS. A financial model for this estimate is not available yet, as the DFS is ongoing.

The technical review has identified that the recent falls in the USD:AUD exchange rate contribute to a significant enhancement of the overall economic model result, compared to the base model used in the Pre-Feasibility Study of 1 USD: 1 AUD, as shown in Table 1 and Figure 1 below:

As a result of this finding, the original financial model for the Mount Peake Pre-Feasibility Study has been verified and updated from the PFS exchange rate of \$1.00 to the current approximate exchange rate of 90c by Snowden Mining Industry Consultants Pty Ltd leading to:

- an increase in Net Present Value (NPV8%) from A\$1.884 billion to \$2.452 billion; and
- an increase in pre-tax IRR from 31.8% to 37.2%

This indicates that a 10% decrease in the AUD: USD exchange rate leads to a 15% increase in the Mount Peake Project IRR and 24% increase in the NPV, other parameters (such as diesel price) have been kept constant. Consensus exchange rate forecasts are noted to be AUD 90-85c by 2017.

Importantly, this result was based on the July 2012 PFS financial model, which does not incorporate the effect of redistributing iron values, as modelled in January 2013 and TNG surmises that this will have further beneficial effect on the project economics. The combined effect of these changes will be modelled in the feasibility study, currently underway.

For comparison, TNG presents the effect of the exchange rate variance on the 6 February 2013 update to the PFS, where iron values have been redistributed to better reflect the value of the mineralisation processed. The results indicate significantly improved project economics (Table 2 and Figure 2).

Table 1: 2012 PFS economic model against exchange rate:

COMPARISON OF EFFECT OF EXCHANGE RATE ON MOUNT PEAKE PROJECT 2012 PFS				
A\$/US\$ Exchange Rate	1.00	0.95	0.90	0.85
IRR	31.80%	34.40%	37.20%	40.20%
NPV 8% A\$M	1,884	2,153	2,452	2,786
Cash-flow A\$M	5,044	5,650	6,324	7,077



Table 2: 2013 updated PFS economic model against exchange rate:

COMPARISON OF EFFECT OF EXCHANGE RATE ON MOUNT PEAKE PROJECT 2013 PFS UPDATE				
A\$/US\$ Exchange Rate	1.00	0.95	0.90	0.85
IRR	38.70%	41.40%	44.30%	47.50%
NPV 8% A\$M	2,646	2,955	3,298	3,682
Cash-flow A\$M	6,785	7,483	8,258	9,125

A summary of the Mount Peake Pre-Feasibility Study results is in the appendix to this Announcement (Appendix 1) and referred to in the Company's ASX Announcements 9 July 2012, and 6 February 2013.

A mining inventory of some 75.9Mt process plant feed is based on the July 2012 PFS financial analysis. This figure includes some 60.4Mt of material classified as Indicated resource, and 15.5Mt of material classified as Inferred Resource.

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration will result in the determination of indicated mineral resources or that the production target itself will be realised. TNG comments that the revised March 2013 Mineral Resource estimate, which reports under the 2012 JORC Code guidelines, improves overall confidence in the resource (refer ASX announcement 18 March 2013).

The results of the review clearly demonstrate that Mount Peake remains one of the most robust new strategic metals projects in Australia, with potential to underpin a substantial, long-life resource project for the Northern Territory.

Figure 1 - Mount Peake Project 2012 PFS results vs exchange rate

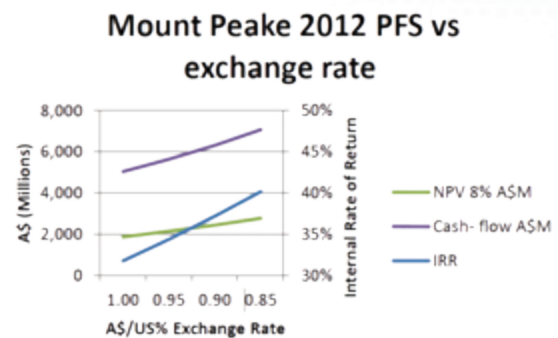
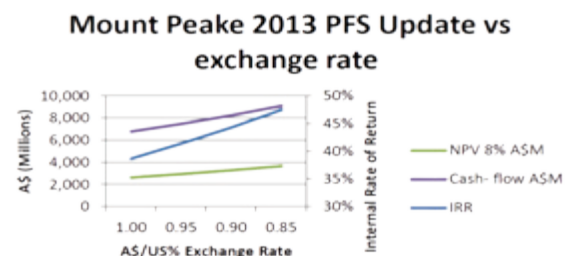


Figure 2 - Mount Peake PFS update (redistributed iron values) vs exchange rate



In addition, the outlook for the key products which will be produced at Mount Peake – high purity vanadium pentoxide (V2O5), high purity Iron oxide (Fe2O3) and titanium remains extremely strong compared to the base case prices used in the PFS, which should provide further enhancements to the economic viability (see Figures 3 and 4 overleaf).



Figure 3 - Metal Bulletin: V2O5 Monthly Average Price, 2012-2013 Historical, 2013-2017 Projection

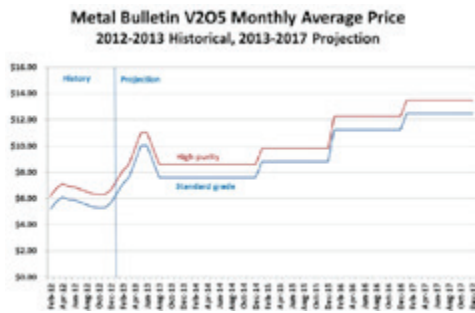
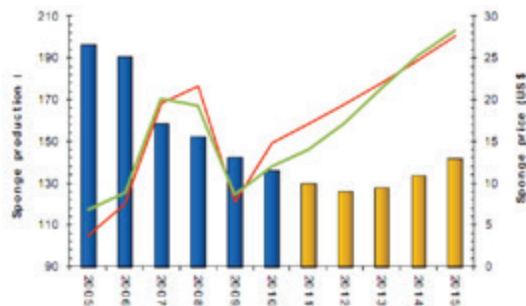


Figure 4 - Roskill: Outlook to 2015 on Titanium Sponge Production and Average Annual Prices



Vanadium is increasingly being recognised as a critical input for future “green energy” initiatives, with the Vanadium Redox-flow Battery (VRB) now seen as one of the leading solutions for large-scale energy storage. VRB’s are currently the only battery that can connect directly to the power grid and smooth out the flow of energy stored from intermittent sources such as wind turbines and solar cells.

The current inability to cost-effectively store energy generated by green power is one of the primary impediments to the wider adoption of alternate energy sources around the world.

Batteries made with vanadium offer:

- The ability to stockpile energy from intermittent sources on a utility scale, and instantly release that energy as required during periods of peak demand;
- Scalability, powering anything from a single home to an entire power grid;
- A lifespan of 30-50 years or more (35,000+ recharges); and

The capability to charge and discharge simultaneously.

Some key facts:

- Large-scale storage using Vanadium Redox Batteries (VRB) requires large amounts of vanadium pentoxide (V2O5) for construction and smaller ongoing amounts for maintenance.
- Vanadium requirements for VRB will be around 8kg of high purity vanadium pentoxide per kWh.
- Japan will build the world’s largest storage battery system in Hokkaido. With a capacity of 60,000 kwh, the system will be as high as a six-story building. Using the estimates quoted above, this project alone will require 480t of Vanadium Pentoxide.
- There are many more projects of this nature currently in development across the globe.
- At least one source projects that demand for vanadium in energy storage applications will grow to more than 9,500t by 2017.
- Global excess inventory built during 2005-2010 will have been depleted during 2011-2012
- Projections for the period 2013-2017 indicate a very balanced supply-demand scenario and ongoing tight inventory levels, leading to prices above US\$40.00/KgV



- Growth in supply will be necessary to meet growing demand and this is highly dependent upon co-product steel slag based production in China.
- Potential new demand in energy storage applications could further exacerbate this tight market situation.
- Projected new supply from Australia and Brazil remains important to maintain adequate supply to meet growing demand.

On the above facts alone, the current global production of 100,000 tonnes of vanadium (not V2O5 specifically) would need to be doubled.

### Major Project Status for Mount Peake

During the Quarter, the Chief Minister of the Northern Territory, the Honourable Adam Giles, awarded Major Project Status to the Mount Peake Project, marking another significant milestone for the Project in its continued progress towards development.

The grant of this status provides a “whole of Government” approach to Mount Peake, recognising it as a designated Major Project of significance to the Northern Territory. The NT Department of Business has been nominated as the lead agency to work with TNG to finalise a Project Development Agreement.

### Acquisition of 100% of TIVAN™ Process

On 1 October, TNG signed a binding agreement with process engineering group Mineral Engineering Technical Services Pty Ltd (“METS”) to acquire 100% of the revolutionary TIVAN™ hydrometallurgical process for titano-magnetite hosted vanadium ores. The TIVAN™ process and technology is currently jointly owned and has been co-developed by TNG and METS over the past four years. TNG is the sole owner of the TIVAN™ trademark.

TIVAN™ was developed as a cost-effective alternative to conventional pyro-metallurgical processes for vanadium ores, and forms a central plank of TNG’s development plan for the Mount Peake Project. The process is designed to produce high purity vanadium-pentoxide, iron-oxide and titanium-dioxide products.

Under the agreement, METS will assign its interest in the technology to TNG on the following terms, with the current TNG/METS share agreement to be cancelled and TNG to become 100% owner of the patent and process for nil consideration, providing:

- METS remains the preferred contractor/consultant for the continued development of TIVAN™ subject to standard work agreements, budgets and any approvals;
- Any subsequent developments and improvements in relation to the IP remain with the TIVAN™ patent and ownership by TNG;
- METS retain 25% of any up-front Licence Fee that TNG reaches with any other third party to use the TIVAN™ process;
- METS can undertake testwork for other companies wishing to use the TIVAN™ process, provided the other company understand that a licence fee will ultimately be required to be negotiated, on reasonable terms, with TNG; and
- METS is entitled to 25% of any royalty payment that TNG negotiates with any third party licensee using the TIVAN™ technology.

The consolidation of 100 per cent ownership of the TIVAN™ Process within TNG represents an important milestone for the Company, putting TNG in a strong position to move forward to complete the final commercialisation of the TIVAN™ Process as part of the Mount Peake Definitive Feasibility Study while also providing a potential new business strategy for the Company and its shareholders.



## COPPER

### MOUNT HARDY PROJECT: TNG 100%

#### Mount Hardy – EL 29219, EL 27892, EL 28694

The Mount Hardy Copper Project is located within the Mount Hardy Copper Field, 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. The Project contains extensive areas of surface copper with anomalous gold, silver and lead, with surface sampling returning rock chip grades of up to 35% Cu, 18% Pb, 10% Zn, 7g/t Au and 400g/t Ag.

A diamond drilling programme was completed last Quarter over the main target areas at the Mount Hardy and Browns prospect areas, with several holes targeting major geophysical and geochemical anomalies within the Mount Hardy Project area including significant Electro-Magnetic (EM) conductors interpreted from down-hole electromagnetic (DHEM) geophysical surveys completed earlier this year.

The results were encouraging and confirmed the presence of copper grades below the supergene oxide material, while DHEM surveys have outlined several targets warranting further drill testing.

TNG remains extremely enthusiastic about the potential of the Mount Hardy Copper Project and will consider other potential avenues to progress the Project to the next level, including the possibility of securing external funding via farm-in joint venture. Discussions commenced during the Quarter with a number of parties.

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

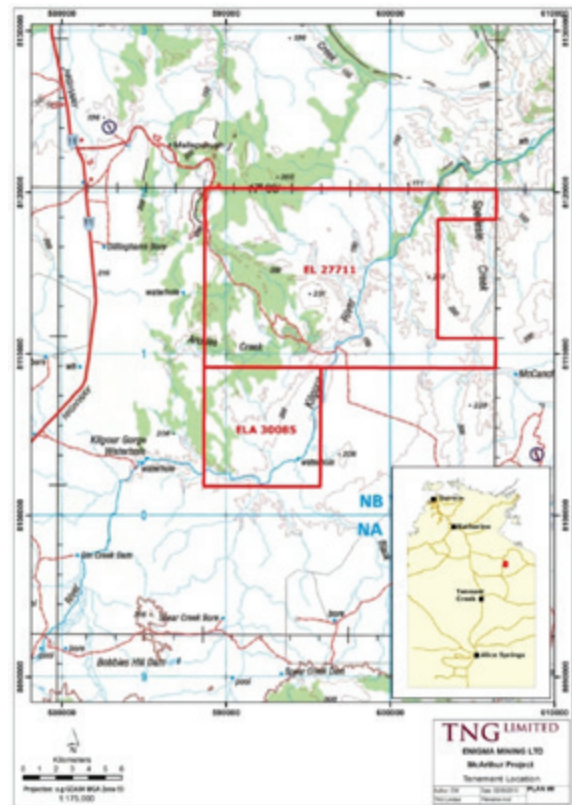


Figure 5 – Location of the McArthur River Project, Northern Territory

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.

No work was undertaken during the Quarter.

#### McArthur – EL 27711

The McArthur River tenement, which is 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. The licence has two major copper targets – Kilgour Crossing and Donkey Yard, both of which have been explored intermittently over the past 50 years and have recorded rock chip grades up to 2% Copper. The Project lies 60km south of the world-class McArthur River Zinc Mine.



During the Quarter, TNG identified a large, extensive and strong geochemical zone with coincident geophysical targets following a review of historical exploration data from its McArthur River Project in the Northern Territory, located 60km south of the world-class McArthur River Zinc Mine.

The targets include a very large central continuous geochemical anomaly extending over a strike length of 3km and up to 450m wide containing laboratory analytical values of up to 1,400ppm Zn and 670ppm Pb from soil samples plus two other zones of strong surface geochemical anomalism, with existing coincident strong geophysical targets from Induced Polarisation (IP) surveys.

TNG has applied for additional tenure as a result, adjacent to the existing McArthur River tenements to secure its strategic position along this prospective trend (Figure 5), increasing its total land-holding in the region to 223km<sup>2</sup>.

The McArthur River tenement is located within the prospective Batten Trough (see Figure 6), containing the lithological packages found at the McArthur River Zinc Mine. The Project area is considered to be highly prospective for Zn-Pb-Cu-Ag deposits of a similar style.

Work conducted by TNG has included a systematic review of 50 years of previous exploration which has outlined highly prospective lithologies with geophysical anomalism and anomalous base metal geochemistry recorded, exposed over some 17km of strike extent (see Figures 7 and 8).

The Batten Trough (Figure 6) is bounded by major faults considered to be the controlling structures on mineralisation in the area. Two important regional fault structures, the Tawallah and Mallapunyah Faults mark the western edge of the Batten Trough and are in close proximity to TNG's ground (Figure 5).

These are of the same size and orientation to the east bounding Emu Fault, which at the McArthur River mine is considered to be the conduit for base metals. All similar Australian deposits (e.g. Century, Mount Isa Pb-Zn) lie within a few kilometres of such major faults structures.

TNG's collated information revealed a large semi-continuous zone of highly anomalous zinc-lead-copper results close to the western fault structures.

Figure 7 shows the areas with anomalous soil geochemistry delineated by TNG's work from extensive sampling conducted by Australian Geophysical Pty Ltd. (AGPL) in 1967. Three large coincident multi-element anomalous areas have been identified:

- 1). A central zinc zone (straddling the tenements)
  - » 3000m long and up to 450m wide,
  - » with results up to 1400ppm Zn that has
  - » coincident Pb (to 670ppm), and
  - » partially coincident Cu with
  - » IP anomalies.
- 2). A north-eastern zinc-copper zone
  - » 800m long
  - » zinc results up to 600ppm,
  - » Copper results up to 1000ppm and lead to 520ppm
  - » coincident (down dip) IP geophysical anomaly
- 3). A south-west zinc-copper zone
  - » 1200m long
  - » Results up to 800ppm Zn and
  - » 1150ppm Cu.

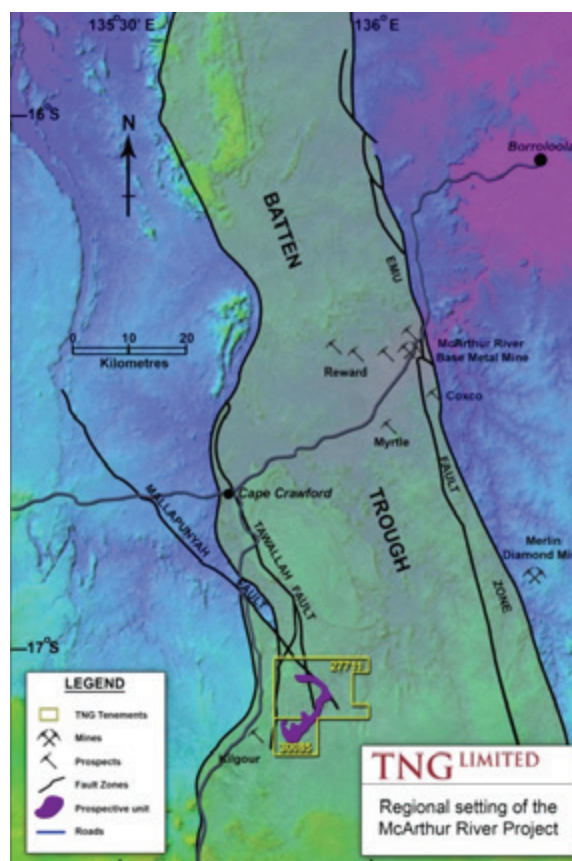


Figure 6: Location of the McArthur River Project in relation other deposits in the district and regional structures.

AGPL also carried out extensive Induced Polarisation (IP) geophysical surveys based on the soil geochemical results. These have been reviewed and confirmed by TNG’s external consulting geophysicist. Figure 8 shows the prospective stratigraphy together with the areas of geophysical anomalism.

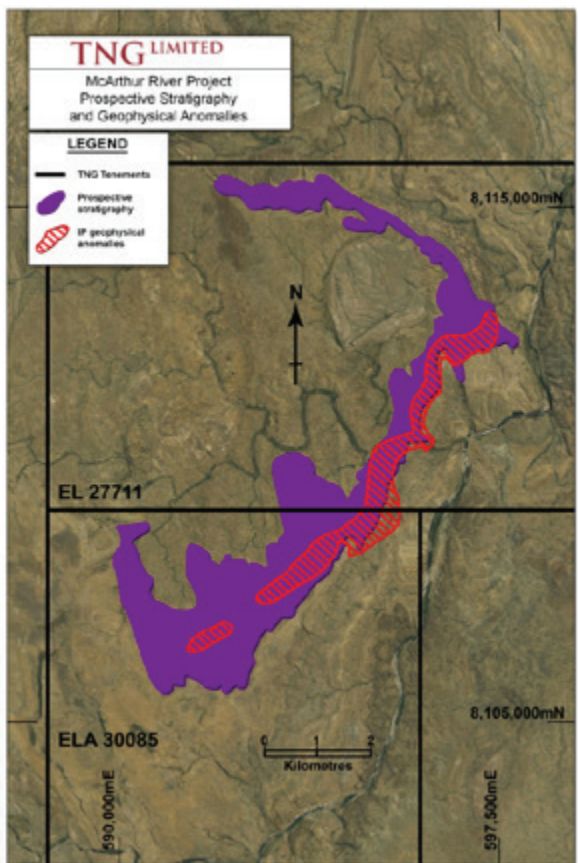
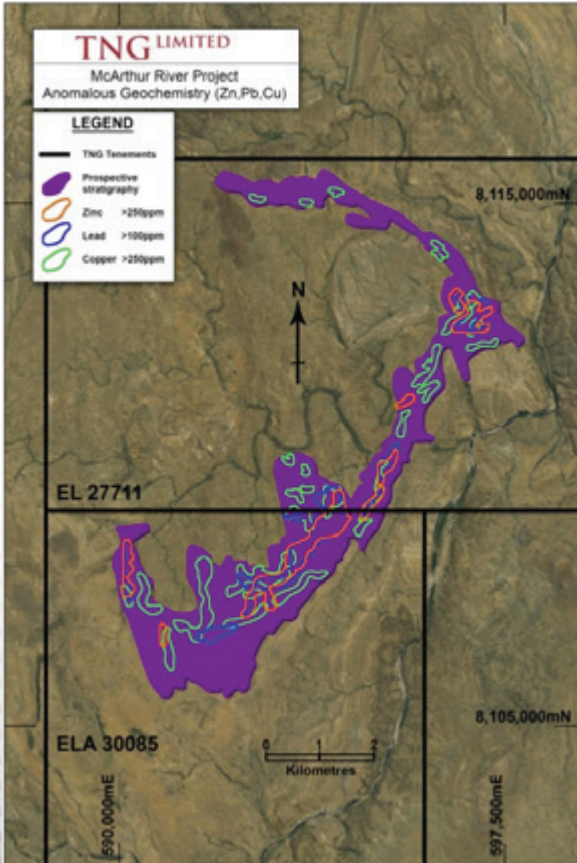
Areas with low resistivity and moderate to high chargeability are highlighted. These are coincident with the strongest geochemical anomalies shown in Figure 7 and are likely to represent sulphides and or base metal mineralisation within the central/upper prospective Woollogorang rock Formation.

This large area of strongly anomalous geochemistry, together with IP anomalism in a favourable structural setting, may indicate the presence of significant mineralisation within the tenement package. AGPL did not follow up with any drilling for unknown reasons.

TNG is planning a limited field programme to check the anomalous area and targets.

Figure 7 - Location of prospective stratigraphy and geochemical anomalies in the central McArthur River Project area

Figure 8 - Location of IP geophysical anomalies on the prospective stratigraphy - in the central McArthur River Project area





### Yah Yah – EL 28509

The Yah Yah tenement, located approximately 50km south-west of the McArthur township, contains the historical Yah Yah copper mine, which produced some 40 tonnes of hand-picked, high-grade copper (20-30% Cu) ore prior to 1912. A grab sample collected from a Yah Yah waste dump by CRA Exploration assayed 30.4% Cu. In addition, BHP completed a soil survey which returned best results of up to 562ppm Cu from a 300m wide zone over the old structure.

No work was undertaken during the Quarter.

### Black Springs – EL 28503

The Black Springs tenement is located 4km south of McArthur EL 27711 covering southern extensions of the prospective McArthur stratigraphy. The Batten Trough is bounded by major faults considered to be the control on the mineralisation in the area. Two important regional fault structures (the Tawallah and Mallapunyah Faults) mark the western edge of the Batten Trough, and are seen as similar to the Emu Fault, which forms its eastern boundary. The Emu Fault zone at the McArthur River mine is considered to provide the conduit for base metals to enter the ore host sequence. All similar Australian deposits (e.g. Century, Mount Isa Pb-Zn) lie within a few kilometres of such faults.

No work was undertaken during the Quarter.

### SANDOVER PROJECT: COPPER: TNG 100%

#### ELA 29252, ELA 29253 and ELA 29254

The Sandover Copper Project tenements are located approximately 100km north-east of Alice Springs just north of the Plenty Highway. The project area is situated on the Alcoota (SF53-10) 1:250,000 scale map sheet. The three tenements (EL's 29252, 29253, and 29254) were granted in late 2012 and cover 1,742km<sup>2</sup> (553 blocks) in the highly prospective Aileron and Irindina Provinces, some 120-180km to the north-east of Alice Springs.

No work was undertaken during the Quarter.

### OTHER PROJECTS

#### ZINC-LEAD-SILVER, IRON-ORE

##### *Manbarrum 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, generating a significant Exploration Target of 80-100Mt with a grade range of 1.5%-2% Zn<sup>1</sup>.

During the Quarter, TNG signed a binding Term Sheet with Legacy Iron Ore (ASX: LCY) to sell the Manbarrum Project to Legacy for \$5 million.

Under the terms of the sale, Legacy will make a \$2 million cash payment to TNG on completion of a 60-day Due Diligence period, with a further \$3 million in cash or Legacy shares to be paid on a deferred basis subject to further agreement between the parties. The transaction is subject to the following conditions precedent:

- a). Confirmation of the completion of Due Diligence within the Due Diligence Period by LCY;
- b). The ASX providing written confirmation, if required, that the Transaction is not inconsistent with the ASX Listing Rules, and will not trigger a re-compliance under ASX Listing Rule 11.1.3;
- c). Execution of a Sale & Purchase Agreement within 90 days of signing the Term Sheet;
- d). Receipt of any required tax advice by LCY; and
- e). The Parties obtaining all relevant Board, regulatory and Governmental approvals, including shareholder approval, Foreign Investment Review Board and any third party consents necessary to implement the Transaction.

The sale is consistent with TNG's focus on its flagship Mount Peake Project and its objective of aiming to realise value from, or monetise, its substantial non-core mineral assets in the Northern Territory.

<sup>1</sup> The potential quantity and grade is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

## JOINT VENTURE PROJECTS

### COPPER-GOLD

**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.

**McTavish Project Joint Venure: TNG 2% Royalty, Barmenco 70%**

No work was undertaken during the Quarter.

**Kintore East Joint Venture: TNG 20%, La Mancha 80%**

No work was undertaken during the Quarter.

### NICKEL MINING PROJECTS

**Nickel Cawse Extended Joint Venture: TNG 20%, Norilsk 80%**

The Cawse laterite nickel operation has been placed on indefinite care and maintenance by Norilsk Nickel Australia.

### BAUXITE

#### Melville Island Licence

In October 2012 TNG formally signed the farm-in and joint venture agreement on its 100% owned Melville Island licence ELA 28617 in the Northern Territory with Rio Tinto Exploration Pty Ltd (RTX). TNG will receive an initial cash payment of \$50,000, and RTX will progress negotiations and grant of the licence application for bauxite exploration. Following the grant of the licence RTX must spend \$5M within 4 years to earn 80% equity in the project with TNG retaining 20% equity at which point TNG may elect to contribute, sell or convert its equity to a 2% Net Smelter Royalty (NSR). The Melville Island Exploration licence application has been a strategic licence for TNG being located in a prospective area for bauxite and other minerals. The licence area covers approximately 1,400km.

## CORPORATE

### CAPITAL RAISING

#### \$1.2 million raised via Share Purchase Plan

During the Quarter, TNG raised \$1.2 million before costs through a successful Securities Purchase Plan (SPP) which was announced on 2 July 2013 and closed on Friday, 9 August 2013.

Under the terms of the SPP, eligible shareholders were offered the opportunity to subscribe for up to \$15,000 worth of fully-paid ordinary TNG shares at an issue price of \$0.045 per share including a free attaching listed option on a 1-for-2 basis. The options will have an exercise price of \$0.08 per share and an expiry date of 31 July 2015.

This is a positive outcome, representing a total take-up of approximately 34% of the capped total targeted by the SPP of \$3.5 million.





### Further \$2.3 million raised through SPP Shortfall Placement

As outlined in the prospectus for the SPP, any shares not subscribed for by eligible shareholders under the SPP would comprise the shortfall and may be offered to institutional and/or sophisticated investors as a separate placement, at the discretion of the Directors.

Subsequent to the end of the Quarter, the Company has received applications for the full amount of the shortfall and will undertake a Shortfall Placement of 51,822,284 shares at \$0.045 per share, plus a free attaching option on the same terms and conditions as the SPP, to raise a further \$2.3 million.

This will increase the total amount raised to \$3.2 million. In addition, TNG has received commitments for a further \$500,000 worth of shares subject to renewal of the Company's 15% placement capacity at the Company's upcoming Annual General Meeting in November 2013.

### DAVIS SAMUEL JUDGEMENT

The Supreme Court of the Australian Capital Territory delivered judgment on the Davis Samuel case on 1 August, 2013. TNG and its lawyers are considering the judgment (which runs to more than 500 pages) and the Company's options.

The Court gave judgment for the Commonwealth on its claims, including the claim against TNG in relation to the Kanowna Lights securities, but has given leave to both TNG and the Commonwealth to make further submissions on how the Commonwealth's election to recover funds from Mark Endresz impacts on the remedies available to the Commonwealth as against TNG. Subject to this, TNG may be required to deliver up the Kanowna Lights securities to the Commonwealth.

However, the Court gave judgment for TNG on its counter-claim against ten of the defendants and on TNG's third party notice to Peter John Clark for damages to be assessed.

In addition, the Court confirmed that TNG has an interest in funds and real property as a result of TNG paying over amounts as a consequence of various entities breaching fiduciary duties owed to TNG or assisting in those breaches.

TNG views the overall outcome of the judgment and the Company's options as positive.

Based on its legal advice, TNG considers its overall position in relation to the claim to have strengthened from that set out in section 2.1(a)(i) of the Prospectus dated 1 July 2013 (released to ASX on 2 July 2013).

On 7 August 2013, the Court made orders setting out a timetable for hearing submissions from both TNG and the Commonwealth in relation to the effect on the Commonwealth's remedies against TNG of the Commonwealth's election to recover funds paid by TNG to other entities for the Kanowna Lights shares.

TNG will submit that this election disentitles the Commonwealth to any remedy against TNG. The Court hearing is not yet listed, but will be on November 7 2013.

### STRATEGIC EXPENDITURE REDUCTIONS

During the Quarter, TNG implemented a multi-pronged strategy to reduce corporate and administrative overheads, reduce expenditures to preserve its cash and to optimise the exploration and development strategies for all of its key assets.

The Company has implemented the following measures to provide a sound basis for the Company to prosper and grow in the longer term:

- Fees and salaries for all Directors and Management have been reduced by 10-20% across the board;
- The number of staff and consultants has been reduced by five;
- Individual corporate and administrative expenditures have been reduced by up to 50% or eliminated completely;
- The Company is reviewing and evaluating other suppliers and contractors; and
- The Company has sub-leased 50% of its WA office, reducing its office overheads significantly.

Collectively, company-wide reductions will result in annualised savings to TNG of approximately \$1.8 million.

TNG believes that these changes will ensure that the Company is in a position to manage through the current downturn while continuing to add value to its assets. At the same time, it will be well placed to generate growth and opportunities for its shareholders once the equities market improves.

### Research & Development Rebate

During the Quarter, the Company received the full amount of its Research & Development refund claim totalling \$3,195,992 million before costs.

The claim covers eligible test work for the 2013 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 and 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 high purity vanadium, titanium and iron from vanadiferous-titanomagnetite using its TIVAN™ hydrometallurgical process (patent pending).

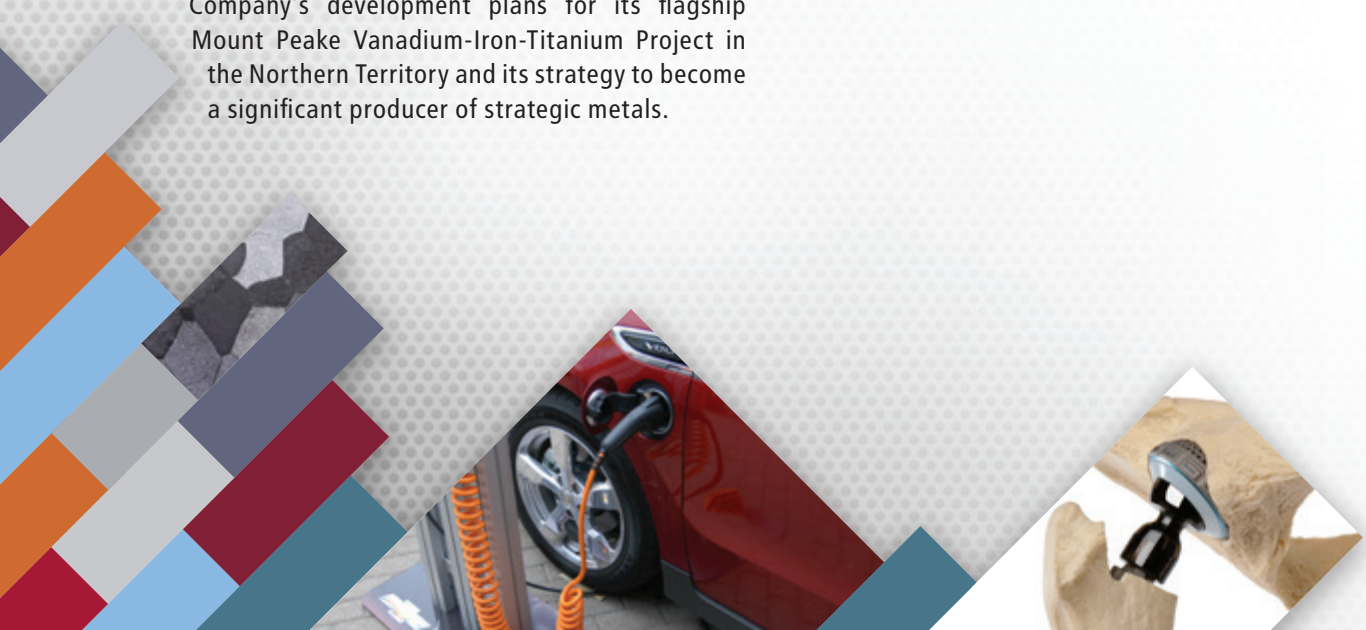
The TIVAN™ process forms a key part of the Company's development plans for its flagship Mount Peake Vanadium-Iron-Titanium Project in the Northern Territory and its strategy to become a significant producer of strategic metals.

The R&D claim further strengthened the Company's cash resources, ahead of the placement of the shortfall from its recently completed Share Purchase Plan (SPP). The SPP raised \$1.2 million and shortfall \$2.8m.

The Company's strengthened cash position will enable it to continue to progress the commercialisation of its TIVAN™ process and development of its flagship Mount Peake Vanadium-Iron-Titanium Project in the Northern Territory.

### Promotion and marketing:

During the Quarter, TNG's Managing Director, Mr Paul Burton, presented at the Mining the Territory Conference in Darwin and the Resources Rising Stars investor conference in the Gold Coast.





## COMPETENT PERSON'S STATEMENTS

### JORC 2004

The information in this report that relates to Exploration Results and Exploration Targets is 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.

The information in this report that relates to Mineral Resources included in the 2012 PFS and is based is based on information compiled by Lynn Olssen who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Lynn Olssen 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'. Lynn Olssen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Financial Analysis is based on information compiled by Jeremy Peters who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Jeremy Peters 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'. Jeremy Peters consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Damian Connelly, MAAusIMM, Chartered Processional (MET), tMMICA, MSME, MSAIMM was responsible for the preparation of the metallurgical test work results reported herein. Mr Connelly has sufficient experience 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 the Exploration Results, Mineral Resources and Ore Reserves. Mr Connelly consents to the inclusion in the report of the matters based on his information in the form and context in which is appears.

### JORC 2012

The information in this report that relates to 2013 Mineral Resource Upgrade for the Mount Peake project is based on and fairly represents, information and supporting documentation compiled by Lynn Olssen who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Lynn Olssen has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Lynn Olssen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results and Exploration Targets for Mount Peake and Mt Hardy projects are based on information compiled by Exploration Manager Mr Kim Grey B.Sc. and M. Econ. Geol. Mr Grey is also a member of the Australian Institute of Geoscientists and a full time employee of TNG Limited. Mr Grey 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Grey consents to the inclusion in the report of the matters based on his information in the form and context in which it appear.