

ASX ANNOUNCEMENT

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ASX CODE: TNG

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PROJECTS

Mount Peake: Fe-V-Ti
Manbarrum: Zn-Pb-Ag
East Rover: Cu-Au
McArthur: Cu
Mount Hardy Cu-Au
Sandover Cu-Au

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MOU SIGNED WITH ENGINEERING AND TECHNOLOGY SPECIALIST FOR TIVAN[®] VANADIUM PROCESS

HIGHLIGHTS

- **Non-binding MoU signed with leading European international engineering and metallurgical technology group for discussions regarding the commercial development of the TIVAN[®] hydrometallurgical process.**
- **MoU envisages potential award of Engineering, Procurement & Construction contract for TIVAN[®] plants.**
- **Under the MoU, the group may consider an investment in either TNG or the Mount Peake Project following completion of due diligence.**
- **Further pilot plant test-work program to commence in Q1, 2013.**

Australian resources company TNG Limited (ASX: TNG) is pleased to announce that it has signed a Memorandum of Understanding (**MoU**) with a leading Austrian/German based international engineering, metallurgical, development, and technology company and plant supplier, referred to in this announcement as the engineering and technology specialists (**ETS**), for discussions regarding the commercial development of the TIVAN[®] hydrometallurgical process for processing vanadium ores.

The MoU contemplates the potential involvement of the ETS in the future commercialisation of TIVAN[®], including the potential award of an Engineering, Procurement and Construction (EPC) contract for a TIVAN[®] processing plant.

The ETS is globally recognised as a leading engineering and design company for all types of metallurgical plants and equipment, with 3-4 billions of Euros in sales revenue in 2012 globally.

Following the signing of the MoU, the ETS will commence due diligence on the TIVAN[®] Process, and also participate in the next stage of development work aimed at providing the final parameters for the upscale design of a full commercial-sized operating plant. This work is scheduled to commence in Q1, 2013.

Subject to the successful completion of a due diligence process, the ETS may then consider investment at either a corporate or project level, and may also be provided with an opportunity to tender for the award of future construction of all TIVAN[®] plants assuming the successful completion of pilot-plant feasibility trials.

The key terms of the MoU are set out in the Appendix to this announcement. The MoU was subject to approval by the Board of Directors of both TNG and the ETS and these approvals have now been obtained.

TNG's Managing Director, Mr Paul Burton, said the MoU laid the foundations for a potential key strategic alliance for the development of TIVAN[®], which is a core component of the Company's plans to bring its flagship Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory into production.

"In addition to being a vital component of the Mount Peake Project development, the TIVAN[®] Process also has the potential to revolutionise vanadium production around the world. It has very exciting growth potential for TNG and this MoU represents a step towards achieving that potential."

The TIVAN[®] Process was jointly developed in 2010 by TNG in conjunction with its metallurgical consultants, Perth-based Mineral Engineering Technical Services Pty Ltd ("METS"). The process was developed to extract commercial grades of vanadium, titanium and iron from TNG's Mount Peake Project.

The Process uses a combination of acid leaching, solvent extraction and chemical stripping to selectively recover the valuable metals, offering potentially significantly capital and operating cost advantages compared with conventional processing routes.

A detailed pilot-plant testwork programme was completed in 2012 as part of the Mount Peake Pre-Feasibility Study (PFS), providing a definitive test of the commercial potential of the TIVAN[®] Process for the Mount Peake Project and successfully producing high-purity aqueous solutions which primarily lead to the production of high-purity vanadium-pentoxide, iron-oxide and titanium-dioxide.

Recoveries of 80-90 per cent were achieved with vanadium-pentoxide extracted to a purity of 99 per cent, iron-oxide to 99.9% (grade 69.2% Fe) and titanium-dioxide up to 55%.

TNG completed a PFS for the Mount Peake development in July 2012, outlining a robust project capable of generating Life of Mine revenues of A\$12 billion and operating cash flows of over A\$5 billion from its initial 20-year life. Key highlights of the PFS included forecast pre-tax net annual cash flow of A\$294 million and an Internal Rate of Return of 31.8%. The Mount Peake Project will commence operations at 2.5Mtpa, expanding to 5Mtpa after years.

The next phase of development work for the TIVAN[®] Process will comprise a 20 tonne hydrometallurgical pilot-plant trial at the CSIRO laboratories in Perth commencing in June 2013.

Prior to this, final test work to optimise key process parameters in each of the unit processes including grinding, magnetic separation, leaching, solvent extraction and acid regeneration technology. The pilot demonstration is planned to run continuously for 15 days and will provide critical information to allow the accurate scale up of the industrial plant.

Paul E Burton
Managing Director

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APPENDIX

- A. TNG and the ETS intend to enter into an agreement (**TIVAN Agreement**) whereby TNG will engage the ETS to provide design and development services to assist TNG in applying the technology known as the TIVAN process to its Mount Peake project in the Northern Territory of Australia (the **Project**).
- B. The TIVAN Agreement will set out the ETS's role in advising TNG in relation to the application of the TIVAN process to the Project. Furthermore, the TIVAN Agreement will set out certain potential delivery opportunities for the ETS with regard to an acid regeneration plant deemed a possible part of the TIVAN process.
- C. Based upon successful conclusion of the design and development services by the ETS under the TIVAN Agreement (**Conclusion**) TNG shall negotiate in good faith the terms of an agreement (**A R Plant Agreement**) that, if agreed, would provide for TNG to engage the ETS for the engineering, design and procurement, and the supply to TNG or to a reputable EPC contractor acceptable to TNG and the ETS, of an acid regeneration plant for use on the Project, as required. TNG and the ETS agree that TNG shall be obliged to enter into this good faith negotiation or arrange for an EPC contractor to enter into such negotiation following the Conclusion only if TNG elects to further pursue its Mount Peake project or a project of similar nature.
- D. TNG may also elect to negotiate in good faith the terms of an agreement (**Equipment Packages Agreement**) that, if agreed, would provide for TNG to engage the ETS for the engineering, design and procurement of, and the supply to TNG of, other equipment packages relating to the TIVAN process and its application to the Project. the ETS may elect to enter into this negotiation at its sole discretion.
- E. Subject to a satisfactory completion of due diligence by the ETS, and successful completion of a feasibility study and metallurgical test work, the ETS may:
 - (i) be given the opportunity to tender for the engineering, procurement and construction of a plant utilising the TIVAN process for the Project (the **EPC Work**).
 - (ii) consider acquiring more than a 5% equity holding in TNG and/or more than a direct 5% investment in the Project.
 - (iii) assist TNG to procure project funding for the whole, or part of, the supply work to be performed by the ETS and any other packages the ETS feels suited to arrange this for.
- F. This MoU is subject to approval by the Board of Directors of both TNG and the ETS, which approval shall be sought within 15 working days from the time of the signing of this MoU. Each party will notify the other in writing as soon as that approval is obtained or refused.
- G. Neither party may make or send a public announcement, communication or circular concerning the arrangements reflected in the MoU unless it has first obtained the written consent of the other party which consent is not to be unreasonably withheld or delayed, unless the party is required to make an announcement by law or a regulation of a stock exchange in which case the party must provide the other party with sufficient notice of the proposed public announcement at the earliest opportunity reasonably possible.
- H. Subject to paragraph G, both parties and their affiliates, employees, advisers shall keep the information regarding this MoU and the proposed arrangements confidential. Otherwise, the breach of confidentiality obligations of the party should bear the corresponding liability for breach of contract.
- I. If:
 - (i) approval of the Board of Directors in paragraph F is not obtained in accordance with its terms; or
 - (ii) the parties are not able to agree to the terms of the TIVAN Agreement within 12 months of the signing of this MoU,

then, unless the parties otherwise agree, this MoU and the proposed arrangements shall be at an end and neither party shall have any further obligation to the other, save in relation to paragraphs G and H above.

- J. Each party shall bear its own cost and expenses associated with this MoU and the arrangements as contemplated herein.
- K. Any variation to this MoU shall be in writing signed by both parties.
- L. Subject to approval of each party's Board of Directors, each party warrants and undertakes that it has obtained all necessary internal authorization to enter into this MoU and approval of this MoU and the performance of the arrangements contemplated by this MoU shall not violate or have any conflict with the existing Constitution of that party and any relevant laws and regulations in Australia based on the best knowledge of each party.
- M. This MoU shall be governed by and construed in accordance with the laws applicable in Western Australia, excluding its conflict rules. Any dispute or discrepancy relating to, or arising out of, this MoU shall be settled by arbitration under the then effective arbitration rules of Hong Kong International Arbitration Center. The arbitration tribunal shall consist of three arbitrators and the arbitration award shall be final and binding upon the parties. The place of arbitration shall be in Hong Kong and the language of arbitration shall be English.
- N. This MoU is not intended to create binding legal obligations except where this MoU contemplates the negotiation of, or reaching agreement on, any subject or the giving of an opportunity or the consideration of any matter (including, without limitation, the TIVAN Agreement, the A R Plant, the Equipment Packages Agreement and the EPC Work) in which case both parties are obliged to:
 - (i) undertake such activities in good faith;
 - (ii) dedicate sufficient executive resources and time, and external consultants to the undertaking; and
 - (iii) have a reasonable objective of achieving the outcomes contemplated in the MoU,

but neither party is expected to disregard or prejudice its own commercial interests in undertaking such activities.