

ASX ANNOUNCEMENT

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PROJECTS

Mount Peake: Fe-V-Ti
Manbarrum: Zn-Pb-Ag
East Rover: Cu-Au
McArthur: Cu
Mount Hardy Cu-Au
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TNG SIGNS PORT AGREEMENT FOR MOUNT PEAKE PROJECT

A further key milestone for project development

HIGHLIGHTS

- **Heads of Agreement signed with Darwin Ports Corporation to negotiate the use of land and facilities by TNG at East Arm Wharf (EAW), Darwin Port.**
- **The proposed EAW facilities will enable TNG to export either vanadium ore or vanadium, iron and titanium products.**
- **Formal agreements are proposed to provide the necessary licences to allow TNG to access and use land at EAW, as well as to construct necessary supporting infrastructure.**
- **Port Agreement to be included as part of the Mount Peake Feasibility Study, to be undertaken during 2013.**
- **Discussions continuing with other infrastructure providers and Government Departments.**

TNG Limited (ASX: TNG) is pleased to advise that its flagship Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory has moved another step closer to realisation after the Company today entered into a non-binding Heads of Agreement with Darwin Port Corporation (DPC) to negotiate the use of Darwin's East Arm Wharf port facilities for the export of vanadium, iron and titanium products from its Mount Peake operation.

Following a project briefing by TNG's Managing Director Paul Burton to senior Northern Territory Government officials at Parliament House today, the signing of the HoA was witnessed by the Minister for Transport and Infrastructure, Hon. Adam Giles, MLA.

Under the non-binding agreement, TNG and DPC have established a framework for negotiating and entering into formal agreements for the use of land and facilities at East Arm Wharf by December 2013. These proposed port access arrangements will become a key component of the Mount Peake Feasibility Study, which will commence this year.

Mount Peake is a world-class strategic metals project located 235km north-west of Alice Springs in the Northern Territory. TNG is aiming to commence construction of the project in 2014, with production and exports proposed to commence in 2015.

The 2013 Feasibility Study will consider a number of development and logistics configurations for the Project including the optimum location for the downstream TIVAN[®] hydrometallurgical processing facility, which will process vanadium ore from Mount Peake to produce high-quality and high-purity vanadium, titanium and iron products.

The key terms of the Heads of Agreement with DPC are set out in the Appendix to this announcement. It is the intention of the parties that formal documents to be negotiated and agreed will include, but not be limited to, the following:

- Construction Licence
- Stockpile / Container Lease
- Operating Agreement

TNG completed a PFS on the Mount Peake Project 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 4 years.

The Mount Peake project will use a world-leading proprietary downstream processing technology, the TIVAN[®] Process, which was jointly developed in 2010 by TNG in conjunction with its metallurgical consultants, Perth-based Mineral Engineering Technical Services Pty Ltd ("METS"). The TIVAN[®] Process is intended to extract commercial grades of high purity vanadium, titanium and iron from the Mount Peake mineralisation, and sets the project apart from other vanadium producers.

This HoA with the DPC follows two other significant agreements that TNG has also signed this week:

- A formal agreement with the CSIRO for final optimisation and metallurgical test work for the TIVAN[®] process, (see *ASX release 30th January 2013*); and
- a Memorandum of Understanding (MoU) with a leading European-based international metallurgical technology company and plant supplier, for discussions regarding the ongoing development of the TIVAN[®] hydrometallurgical process. The group concerned is globally recognised as a leading provider of metallurgical plants and equipment, with billions of dollars in sales revenue globally, (see *ASX release January 29th 2013*).

These agreements contemplate discussions leading to formal agreements and the involvement of both groups in the future testwork and commercialisation of TIVAN[®]; the MoU also contemplates including the potential award of an Engineering, Procurement and Construction (EPC) contract for a TIVAN[®] processing plant.

Discussions with other infrastructure providers and NT Government Departments are continuing.

TNG's Managing Director, Mr Paul Burton, said he was pleased to have reached agreement with Darwin Port Corporation to start working towards the finalisation of important port access and logistics arrangements which will form a key component of the Mount Peake development proposition.

"While non-binding, the agreement provides a start and framework for TNG to work with DPC for development of formal land leases and usage contracts at the rapidly growing East Arm Wharf port facilities in Darwin," Mr Burton said. "These arrangements would also encompass the storage, service infrastructure and container loading facilities required to allow us to stockpile materials at the port ready for export to customers across the Asian region," he added.

"Subject to successful feasibility outcomes our timetable currently envisages that construction could commence at Mount Peake next year, with commissioning and first production anticipated in 2015. Darwin is strategically located with respect to our key target markets in China, the Asia region and Europe, and will form a key part of a logistics chain which also encompasses the Adelaide-Darwin railway line.

"We look forward to working with Darwin Port Corporation as we progress the Mount Peake Feasibility Study. The development of this project could provide a significant input to the Northern Territory economy, with the mine life currently anticipated to be at least 20 years."

Paul E Burton
Managing Director

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Competent Person Statement

Mr Damian Connelly, FAusIMM, Chartered Processional (MET), MICA, 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 it appears. Mr Connelly is also qualified to sign NI43101 Documents.

The information in this report that relates to Mineral Resources 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.

Forward-Looking Statements

This announcement has been prepared by TNG Ltd. This announcement is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained.

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This may include forward looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of TNG Ltd. Actual values, results or events may be materially different to those expressed or implied.

APPENDIX

KEY TERMS

1. PURPOSE

- 1.1 The parties enter into the HOA in order to record their intention to:
- (a) negotiate in good faith to agree the commercial terms of the Proposed Transaction, including, but not limited to, the matters outlined in clause 3 of the HOA; and
 - (b) subject to agreement, finalise and execute the Formal Documents to provide for:
 - (i) the possible construction of TNG Facilities on the Land;
 - (ii) the leasing of an area of the Land by DPC to TNG on which the TNG Facilities will be located and will be used for TNG's bulk handling operations, including delivery and storage of the Product; and
 - (iii) access to and use of DPC Facilities to facilitate TNG to carry out its export operations of the Product at EAW.
- 1.2 The parties acknowledge that neither the Proposed Transaction, nor any part of it, will proceed in the absence of Formal Documents executed by the parties.
- 1.3 DPC may require TNG to submit such reports, surveys, plans, approvals or other material or documents, as DPC considers relevant or necessary in connection with the transport, stockpiling and bulk handling of the Product at EAW.

2. NOT BINDING

The parties acknowledge that:

- 2.1 the HOA is intended to govern the relationship and negotiations between the parties with respect to the Proposed Transaction pending agreement and execution of the Formal Documents;
- 2.2 the HOA shall have no legal effect and will not be binding upon either party;
- 2.3 the terms of the Formal Documents (if agreed and executed) will form the binding contractual arrangement between the parties in relation to the parties' rights, responsibilities and obligations with respect to the Proposed Transaction; and
- 2.4 each party will bear their own costs of the HOA and the negotiation and preparation of the Formal Documents.

3. FORMAL DOCUMENTS

It is the intention of the parties that the Formal Documents will include, but not be limited to, terms with respect to the following:

3.1 Construction Licence

- (a) the grant of a licence by DPC allowing TNG to access and use the Land in order to construct the TNG Facilities on the terms of the Construction Licence;
- (b) the licensed area of the Land;
- (c) the construction period and licence term;
- (d) licence fee payable by TNG to DPC;
- (e) requirements to develop and submit to DPC the design and plans for the TNG Facilities for review and approval;
- (f) the obtaining by TNG of all Approvals necessary to carry out construction;
- (g) the construction of the works;
- (h) compliance with the *Building Act* and the *Planning Act*;
- (i) requirements for certification and completion of the construction works; and
- (j) all costs in connection with the construction works and occupation of the licensed area to be borne by TNG.

3.2 Stockpile Lease

- (a) the leased area of the Land;
- (b) access to the leased area of the Land;
- (c) permitted use;
- (d) initial term and any renewal periods;
- (e) initial rental for the lease area, which will be current market rent;
- (f) rent review methodology;

- (g) ownership of the TNG Facilities during the term of the Stockpile Lease and on expiry of the Stockpile Lease;
- (h) costs to be borne by TNG;
- (i) obligations to keep the leased area and the TNG Facilities in good repair and condition in accordance with best practice;
- (j) registration of easements if required by DPC;
- (k) indemnities;
- (l) acknowledgements;
- (m) assignment; and
- (n) make good obligations.

3.3 Operating Agreement

- (a) access to, use of and scheduling of use of DPC Facilities, acknowledging that DPC Facilities are used by third parties;
- (b) initial term and any renewal periods, which are to be consistent with the term of the Stockpile Lease;
- (c) payments by TNG to DPC;
- (d) transport of the Product;
- (e) characteristics of the Product;
- (f) access to EAW by, and loading of Product onto, vessels;
- (g) DPC Facilities performance requirements;
- (h) operation of DPC facilities;
- (i) cleaning of DPC Facilities by TNG;
- (j) repair and maintenance by DPC of DPC Facilities;
- (k) liability for damage to DPC Facilities caused by, or in connection with, the use of those facilities by TNG;
- (l) compliance with all applicable policies, procedures and directions of DPC in relation to the DPC Facilities; and
- (m) acknowledgements.

4. TERMINATION

- 4.1 The HOA will terminate upon the earlier of:
 - (a) agreement by the parties to terminate the HOA;
 - (b) DPC giving notice that, having regard to existing operations, likely future EAW development and those materials or documents required by DPC in clause 1.3, the Product is not suitable for transport, stockpiling and bulk handling at EAW;
 - (c) execution of the Formal Documents; or
 - (d) 31 December 2013.