

TNG LIMITED ABN 12 000 817 023



Annual Report 2013



Contents

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Annual Report 2013

Review of Operations	2
Corporate Governance Statement	25
Directors' Report	32
Auditor's Independence Declaration	44
Consolidated Statement of Comprehensive Income	45
Consolidated Statement of Financial Position	46
Consolidated Statement of Cash Flows	47
Consolidated Statement of Changes in Equity	48
Notes to the Financial Statements	49
Directors' Declaration	86
Independent Audit Report	87
ASX Additional Information	89

Review of Operations

HIGHLIGHTS – YEAR IN REVIEW

Mount Peake Vanadium-Titanium-Iron Project (NT)

- Updated Resource completed for Mount Peake Project following successful drilling program – 120Mt or 74% of total Resource of 160Mt now classified as Measured Resource status.
- Internal technical review of July 2012 Mount Peake Pre-Feasibility Study identifies a significant under-estimation of the value of iron oxide mineralisation. A corresponding revision to the financial model lead to:
 - 15% increase in life-of-mine (LOM) revenues from A\$11.8 billion to A\$13.6 billion;
 - 40% increase in Net Present Value (NPV_{8%}) from A\$1.884 billion to A\$2.646 billion; and
 - 22% increase in pre-tax IRR from 31.8% to 38.7%.
- Metallurgical optimisation work reduces forecast OPEX by A\$20/tonne or up to A\$50M per annum, with the combination of reduced OPEX and the lower Australian Dollar exchange rate providing an enhancement to overall project economics.
- Management of Mount Peake DFS transferred in-house after the Company's DFS contractor, Arcon Mining Services, appointed a voluntary administrator. Completion of the DFS has been deferred until Q1 2014.
- Notice of Intent (NOI) submitted to the Northern Territory Government, marking a key step in the approvals process leading towards project development. Final EIS expected to be completed by Q2 2014. Mining Agreement progressing with Traditional Owners.
- Heads of Agreement signed with Darwin Ports Corporation to negotiate the use of land and port facilities at East Arm Wharf and with Rail operator Genesee and Wyoming to commence a logistical transport study.
- Major Project status awarded by Northern Territory Government.

TIVAN® Hydrometallurgical Process

- MOU signed with leading European international engineering and metallurgical technology group for discussions regarding commercial development of TIVAN®. Advanced metallurgical testwork program in progress.
- The definitive pilot plant with CSIRO will commence when all results are available.

- Patent for TIVAN® registered in Australia, Canada, China, Europe, Russia, USA, Malaysia, Singapore and Vietnam.

Other Projects

- Very encouraging results were received from diamond drilling at Mt Hardy Copper-Gold Project in the Northern Territory, during the year, including several high-grade copper, base metal and gold intersections.
- Drilling intersected broad zones of polymetallic mineralisation indicating the potential for a large polymetallic system at depth. TNG considers that securing a joint venture partner is the best way to progress this project, enabling it to continue to focus on its flagship Mount Peake Project. Discussions have commenced on potential farm-in joint venture for this project.
- A binding Term Sheet was signed with Legacy Iron Ore (ASX: LCY) to sell the company's Manbarrum Zinc-Lead-Silver Project in the Northern Territory for \$5M, including a \$2M cash payment on completion of a 60-day due diligence period and other conditions precedent.
- Farm-in and Joint Venture agreement signed with Rio Tinto Exploration for the Melville Island bauxite licence.

Corporate

- \$1.5M share placement completed to sophisticated investors with a further \$1.2 million raised through a well-supported Share Purchase Plan. Directors considering placement of the shortfall of \$2.3M.
- \$3.2M Research & Development refund claim lodged under the Federal Government's R&D tax incentive scheme for the 2012/2013 financial year.
- Strategic expenditure reductions implemented covering both remuneration, corporate and administrative project reviews, including a reduction in fees and salaries for Directors, management and staff and reductions in supplier contracts.
- Further cost savings implemented following the transfer of management of the Mount Peake DFS in-house and decision to defer completion until Q1 2014.
- Alternative exploration and development scenarios under consideration for all projects, with the changes designed to streamline TNG's operations in the current market.
- Appointment of experienced mining executive Mr Michael Evans as a Non-Executive Director.



Review of Operations continued

CHAIRMAN'S LETTER

Dear Shareholders,

The 2013 financial year was a period of consolidation for TNG as the Company continued to progress its core strategic metals asset at Mount Peake in the Northern Territory while at the same time taking a number prudent steps in response to the very challenging circumstances confronting the resource sector during the year.

TNG, together with its major shareholders, remains confident about the long-term future of the Chinese economy and demand for key raw materials – in particular for the strategic minerals encompassed within the Mount Peake resource. However, in the interests of all our shareholders we have also recognised the need to make sensible changes to our project development strategies and to take steps to reduce costs and protect our financial position.

We are confident that these steps will ensure that TNG remains in a strong position to develop our flagship project at Mount Peake and realise significant value for shareholders once market conditions improve.

A great deal of progress was achieved at Mount Peake during the year, including the recognition of the significance of the project to be awarded Major Project status by the Chief Minister of the Northern Territory Government, delivery of an upgraded Mineral Resource estimate to Measured status, and the commencement of the Definitive Feasibility Study (DFS), initially managed by external consultants. Extensive reviews of the July 2012 Pre-Feasibility Study identified significant enhancements to the project, including potential reductions in forecast capital expenditure and an improved financial model.

A Notice of Intent was submitted to the Northern Territory Government, marking a key step towards project development, with the final Environmental Impact Statement expected to be completed by Q2 2014. Heads of Agreements were also signed with the Darwin Ports Corporation and rail operator Genesee and Wyoming to progress key aspects of the infrastructure chain that will service the project.

In light of the significant deterioration in market conditions during the year, TNG's Board made the decision to defer completion of the DFS until Q1 2014 in order to reduce costs and conserve cash. At the same time, the Company transferred management of the DFS in-house resulting in additional cost savings.

TNG also considering a two-stage development scenario for Mount Peake after completing an internal technical study which has shown that it could generate substantial

early cash flows from a low capital cost start-up development producing a magnetite concentrate. This is part of the company's on-going development review to add value to shareholders as soon as possible.

The Company has continued to invest strongly in the development of its proprietary TIVAN® hydrometallurgical process, which remains an integral component of the Mount Peake development and a key part of our future as a major player in the strategic metals space.

During the year, we signed an important MOU signed with a leading European international engineering and metallurgical technology group, and Australia's CSIRO regarding commercial development of TIVAN® and to complete commercialisation of the process.

TNG has an extensive minerals portfolio in the Northern Territory including a large copper portfolio which management assembled in recent years. At the centre of this copper portfolio is the Mount Hardy Project, where we conducted initial drilling programs during the year to test for extensions to historic drill intercepts and extensive surface copper mineralisation.

The results were very encouraging, defining broad zones of mineralisation; however, we have decided in light of current market conditions that this is a project which we cannot continue to significantly add value while advancing the Mount Peake project, and we intend to realise value from this important asset.

Elsewhere within our portfolio, we have recently signed a binding agreement with Legacy Iron to acquire our Manbarrum Zinc-Lead-Silver Project for \$5 million and earlier in the year we secured a farm-in joint venture with Rio Tinto Exploration over our Melville Island bauxite licences. We are reviewing other projects within our portfolio and we will continue to seek opportunities to realise value for shareholders wherever possible.

Corporately, TNG undertook a capital raising during the year comprising a \$1.5 million share placement to sophisticated investors, and also completed a well-supported Share Purchase Plan which raised \$1.2 million despite the challenging market conditions.

Funds from these capital raisings, together with a Research and Development refund claim totalling \$3.2 million which was received in late August, have increased our cash resources to approximately \$4.9 million at the time of writing this report, putting TNG in a capable position in the current market.

In conclusion, I would like to take the opportunity to welcome the appointment of experienced mining executive Michael Evans to the Board as a Non-Executive Director during the year. Mr Evans was appointed following the resignation of Mr Neil Biddle.

Review of Operations continued

I would also like to thank my fellow Directors and, in particular, to express my appreciation to TNG's Managing Director, Paul Burton, for his exceptional commitment, dedication and tireless work during what has been an extremely challenging year.

While it has been a difficult and frustrating year at many levels, TNG is well placed to create value for its shareholders with a quality asset at Mount Peake; an emerging technology; a great team of people; a strong balance sheet and the courage and focus to continue to move forward.

I have every confidence that we are on track to realise our objective of developing a world-class strategic metals business and, in turn, create the foundations for a successful international resources business that will deliver benefits for all shareholders.

I take this opportunity to thank our loyal shareholders for their ongoing support and wish you well for the year ahead.

Yours faithfully,

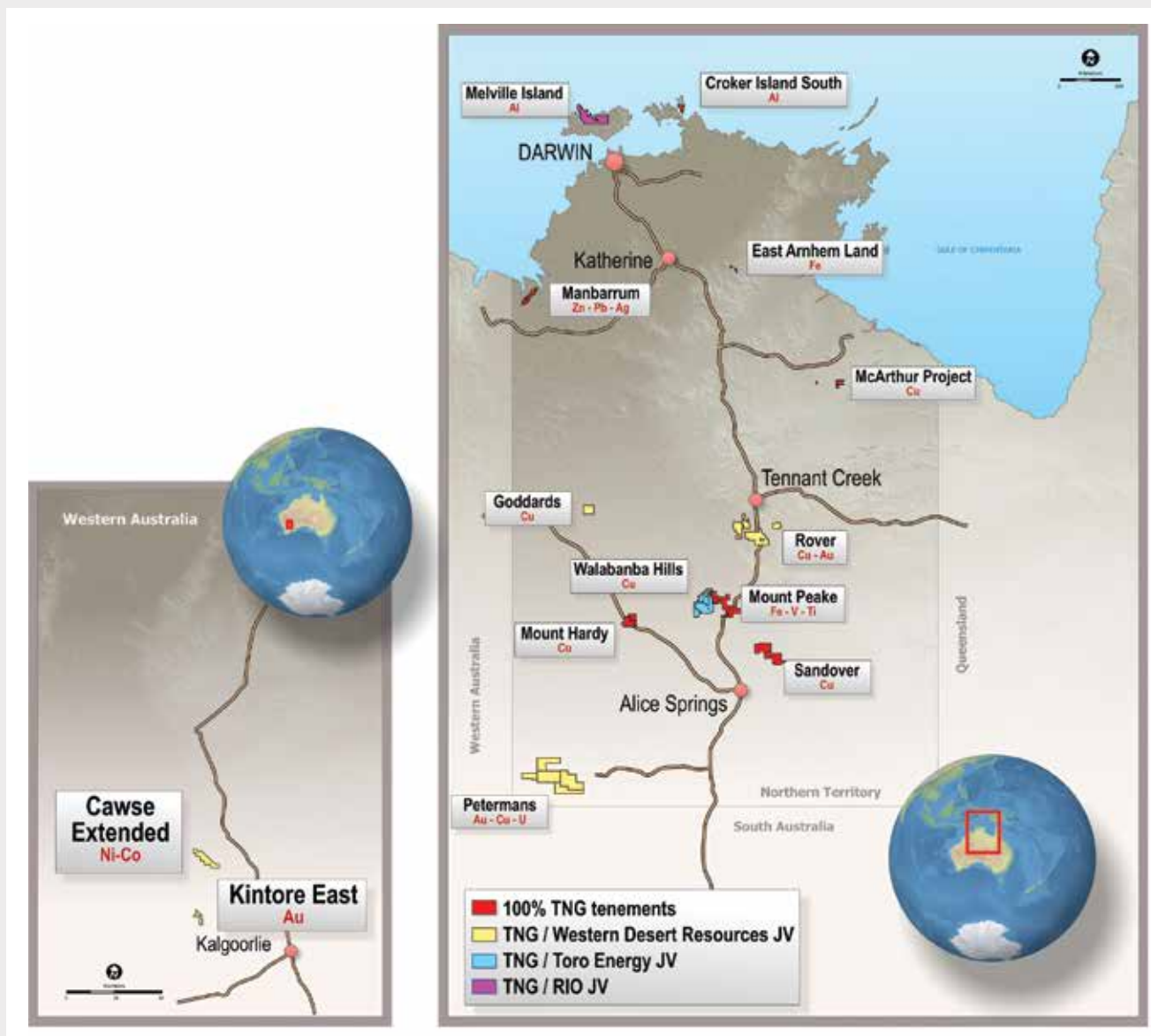


Jianrong Xu

Chairman

Review of Operations continued

REVIEW OF OPERATIONS



TNG activities are focussed on the Northern Territory where it has assembled an extensive portfolio of exploration licences covering some of the most prospective geology in the Northern Territory. In addition it maintains free-carried joint venture interests in Western Australia.

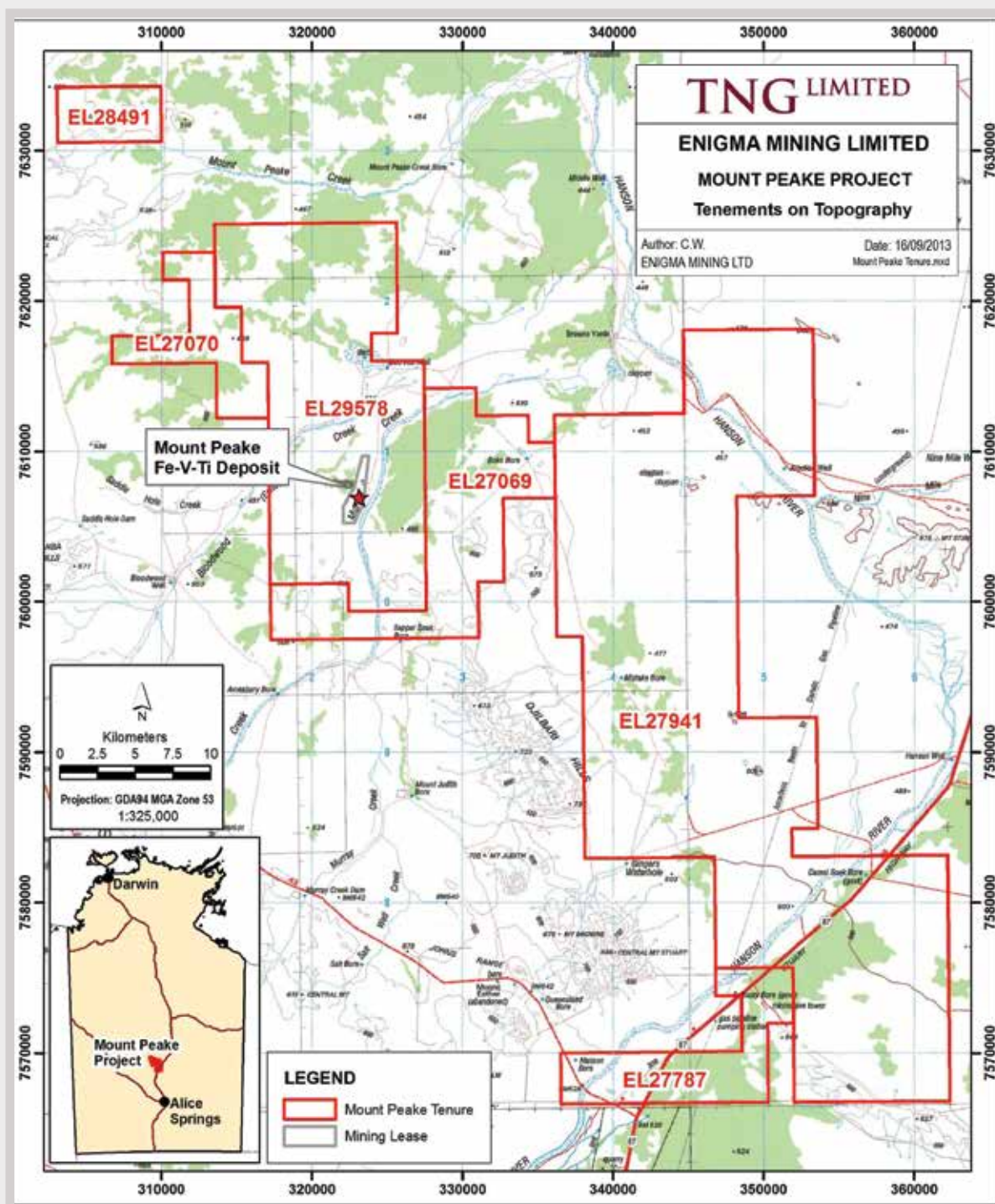
The company is committed to increasing shareholder wealth by advancing its projects systematically and achieving stated goals.

The following is a summary of its key projects.

Review of Operations continued

IRON-VANADIUM-TITANIUM

MOUNT PEAKE PROJECT: TNG 100%



Review of Operations continued

TNG's Mount Peake Project has been the core focus of the Company and remains its flagship project. Located in the Northern Territory close to existing key power and transport infrastructure, the Project is rapidly emerging as one of the largest new vanadium-titanium-iron projects in Australia. The company has been progressively de-risking the projects status and during the year achieved completion of a Pre-Feasibility Study, completion of a revised mineral resource estimate to Measured category and advanced the project to Definitive Feasibility Study stage. 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.

Pre-Feasibility Study

In July 2012 TNG announced the results of the Pre-Feasibility Study (PFS) for its Mount Peake Project, outlining a very robust project capable of generating revenues of A\$12 billion and operating cash flows of over A\$5 billion over its initial 20-year life.

The Pre-Feasibility Study (PFS) is based on an Indicated and Inferred Resource for Mount Peake, reported under the then-current 2004 guidelines of the JORC Code and published on 12 October 2011. The estimate comprises **160Mt @ 0.3% V₂O₅, 5% TiO₂ and 23% Fe** (Indicated 110Mt @ 0.29% V₂O₅, 5.3% TiO₂ and 23% Fe; Inferred 48Mt @ 0.24% V₂O₅, 4.5% TiO₂ and 21% Fe). TNG subsequently released in March 2013 a Mineral Resource estimate reported under the 2012 guidelines of the JORC Code (see below).

The PFS results showed life-of-mine revenues and potential cash flows which build on and enhance all previous results from the Scoping Study and the interim PFS completed in 2011.

The key highlights of the 2012 PFS include:

- Pre-tax Net annual cash flow of \$294M
- Life-of-mine revenues of \$11.8B
- Pre-tax IRR of 31.8%
- Exchange rate 1USD to 1AUD
- Initial 20-year life with significant extensions available
- 2.5Mtpa operation expanding to 5Mtpa after 3 years
- Average annual production of 15,300tpa V₂O₅, 375,000tpa TiO₂ concentrate and 1.13Mtpa Fe₂O₃
- Year 1 pre-production capital cost estimate of A\$339M
- Year 2 pre-production capital cost estimate of A\$224M
- Potential pay back in 4 years

Note:

Net annual Cash Flow is defined as the average discounted cash flow per annum after all CAPEX (pre-strip CAPEX, initial CAPEX, and expansion CAPEX) has been deducted, but ignores cost or source of capital, hedging, tax, depreciation, rehabilitation and salvage.

The 2012 PFS financial model assumes mining of 75.9 Mt of the October 2011 Resource. Of this mining inventory, some 15.5 Mt is classified as Inferred Mineral 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.

The 2012 Pre-Feasibility Study was prepared by key consulting companies Snowden Mining Industry Consultants Pty Ltd (Snowden), Mineral Engineering Technical Services (METS) and Sinclair Knight Mertz (SKM) to an implied accuracy of ±25 per cent.

The key points of the final PFS are:

Total material mined:	147.9Mt
Total waste movement:	72Mt
Total mining inventory exploited:	75.9Mt

TNG advises that this mining inventory comprises 60.2 Mt of material classified as Indicated Resource and 15.5 Mt of material classified as Inferred Resource (numbers do not add directly due to rounding). 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 further advises that, while material classified as an Inferred resource has a low level of geological confidence and may not ultimately present an economic resource, drilling undertaken in 2012 that resulted in the March 2013 Mineral Resource estimate has increased confidence in the overall resource and is the subject of the current DFS.

Strip ratio:	0.95
Mine life:	20 years (including pre-production)
Processing rate (life-of-mine):	2.5 Mt/annum, increasing to 5 Mt/annum in year 4
Average head grade:	0.39% V ₂ O ₅ , 27.09% Fe, 7.02% TiO ₂
Average recoveries:	80% V ₂ O ₅ , 66% Fe, 55% TiO ₂
Total metal production:	236kt V ₂ O ₅ , 17.4Mt Fe, 5,822kt TiO ₂

Review of Operations continued

The key financial outcomes of the final PFS:

Total revenue (life-of-mine):	A\$11.8 billion
Operating cash flow (life-of-mine):	A\$5.8 billion
Nett cash flow (life-of-mine):	A\$5.05 billion
Pre-production capital cost estimate (including all infrastructure):	A\$563 million
Total operating costs (including mining, processing, transport & royalties):	A\$75.5/tonne of plant feed
Nett annual cash flow:	A\$294M
IRR pre-tax:	31.8%

Net annual Cash Flow is defined as the average discounted cash flow per annum after all CAPEX (pre-strip CAPEX, initial CAPEX, and expansion CAPEX) has been deducted, but ignores cost or source of capital, hedging, tax, depreciation, rehabilitation and salvage

Key assumptions at commencement of operations include:

Operating costs and pit slope angles related to mining estimated to a Pre-Feasibility Study level	(±25%)
V ₂ O ₅ price of US\$19,841/tonne	(>99% grade)
TiO ₂ price of US\$400/tonne	(> 64% grade)
Fe ₂ O ₃ price of US\$200/tonne	(>99.9% grade)
Royalty rate of 2.5% per tonne of plant feed	
Discount rate of 8%	
A\$/US\$ exchange rate of 1 US\$ = 1A\$	

Full details of the Mount Peake Pre-Feasibility Study setting out the major assumptions in the study are available in the Company's ASX Announcement – 9 July 2012.

Internal Technical Review of PFS

An internal technical review of the July 2012 Mount Peake PFS led to a significant enhancement of the Project's economics following the identification of a miscalculation of the value of the iron oxide component of the resource.

It identified that the price for the hematite product at Mount Peake had incorrectly been applied to contained iron (Fe) as opposed to contained iron oxide (Fe₂O₃).

As a result of this finding, the original financial model for the Mount Peake PFS was verified and updated by Snowden Mining Industry Consultants Pty Ltd leading to a significant enhancement to the results:

- an increase in life-of-mine (LOM) revenues from A\$11.8 billion to A\$13.6 billion;
- an increase in Net Present Value (NPV8%) from A\$1.884 billion to A\$2.646 billion; and
- an increase in pre-tax IRR from 31.8% to 38.7%.

Note: All other assumptions for the 2012 PFS apply.

The results enhance the financial strength of the proposed Mount Peake mining operation and provide strong momentum for a positive Definitive Feasibility Study (DFS) outcome.

Definitive Feasibility Study

Based on the strength of the PFS results, TNG committed to a Definitive Feasibility Study (DFS) and in February 2013 appointed Perth-based engineering firm Arccon Mining Services (Arccon) to manage completion of the DFS for the Mount Peake Project.

TNG received notice during the June Quarter that Allmine Group Limited (Allmine), the parent company of Arccon (WA) Pty Ltd trading as Arccon Mining Services, had appointed a voluntary administrator and was later placed into creditors' voluntary liquidation.

TNG subsequently brought the management of the DFS in-house, resulting in significant cost saving estimates. The DFS would remain to be peer reviewed by a yet to be appointed global engineering firm.

The Company is targeting completion of the DFS in 2014, subject to funding and is aiming to commence construction of the Project in 2014, subject to project finance with production and exports proposed to commence in 2015.

Updated Mineral Resource Estimate

A key input for the DFS was the delivery of an updated mineral resource estimate for Mount Peake, based on new drilling completed in late 2012. The updated mineral resource estimate was calculated by Snowden Mining Industry Consultants Pty Ltd (Snowden) and reported in accordance with the JORC Code (2012).

Review of Operations continued

The 2011 Indicated and Inferred Resource reported under JORC Code (2004) comprised:

Category	Tonnes (Mt)	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
Indicated	110	0.29	5.3	23	8.1	34
Inferred	48	0.24	4.5	21	8.8	35
Total	160	0.27	5.0	22	8.3	34

The 2012 updated Measured, Indicated and Inferred Resource for the Mount Peake Project, reported at a 0.1% V₂O₅ cut-off, comprises:

Category	Tonnes (Mt)	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
Measured	120	0.29	5.5	24	8.2	33
Indicated	20	0.28	5.3	22	9.1	34
Inferred	22	0.22	4.4	19	10.0	38
TOTAL	160	0.28	5.3	23	8.6	34

The revised resource estimate is based on new drilling completed in late 2012, which was intended to convert predominantly Indicated and Inferred Resource material to Measured Resource status. 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.

However the revised Mineral Resource estimate improves overall confidence in the resource with all of the Indicated material included in the previous 2011 Resource estimate now upgraded to Measured status.

Key inputs for the resource estimate include:

- 16,856.6 metres of diamond and Reverse Circulation (RC) drilling were used (more than double the metres used for the previous calculation);
- Cut-off grade applied – 0.1% V₂O₅;
- Densities applied – from 2.51 (weathered material) to 3.40 (fresh ore); and
- Ordinary kriging was used.

A more detailed table of resource figures, with densities used and tonnages of weathered material follows:

Cut-off	Category	Oxidation State	Tonnes (Mt)	Density	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
0.1	Measured	Oxide	1.9	2.51	0.28	5.82	20.76	8.4	35.77
		Transitional	13.1	3.32	0.32	6.29	22.61	7.77	32.14
		Fresh	103.3	3.4	0.29	5.38	23.8	8.23	32.85
		Sub-total	118.3		0.29	5.48	23.64	8.18	32.81
0.1	Indicated	Oxide	0.2	2.51	0.37	7.73	25.56	7.9	33.84
		Transitional	2.1	3.32	0.3	5.75	20.61	9.08	35.24
		Fresh	17.5	3.4	0.28	5.25	22.19	9.1	33.82
		Sub-total	19.8		0.28	5.33	22.05	9.09	33.97
0.1	Inferred	Oxide	0.1	2.51	0.18	3.93	15.46	10.41	42.49
		Transitional	3.1	3.32	0.16	3.77	14.85	11.05	43.43
		Fresh	19.1	3.4	0.23	4.51	19.75	10.27	36.86
		Sub-total	22.2		0.22	4.41	19.06	10.38	37.79
	Total		160.4		0.28	5.31	22.81	8.6	33.64

Review of Operations *continued*

Metallurgical testwork

In addition to upgrading the mineral resource estimate, the 2012 drilling also focused on collecting important material for the final metallurgical testwork and definitive pilot plant trials. This testwork remains underway at the end of the reporting period and to date has resulted in the identification of several improvements to the Project over the 2012 PFS.

Metallurgical testwork completed during the reporting period comprised bench scale testing by ALS AMMTEC and the Commonwealth Scientific & Industrial Research Organisation (CSIRO) in conjunction with Mineral Engineering Technical Services Pty Ltd (METS) to complete optimisation testing on critical process parameters in each of the unit processes, including grinding, magnetic separation, leaching, solvent extraction and acid regeneration.

An extensive comminution and material characterisation programme was completed at ALS-Amtech in Perth on a bulk sample from Mount Peake which is representative of the first 18 years of mining. This will allow design and scale-up of a conventional industrial crushing and grinding circuit. The parameters derived from this testwork programme are in keeping with expectations compared to other magnetite deposits.

This work has also provided a positive result for the conventional crushing and magnetic separation stages, delivering a net estimated benefit (when compared to pre-feasibility study estimates) of A\$20/tonne by increasing the rejection of deleterious acid-consuming gangue (waste) minerals. This has resulted in potential forecast operating costs being \$50 million per year lower than under the PFS findings.

During the reporting period, TNG signed a formal agreement with the CSIRO for a definitive pilot plant trial utilising the patented TIVAN® Hydrometallurgical Process. CSIRO has been engaged to undertake the design, construction and operation of a pilot plant, which will run continuously for up to 15 days to provide critical information for the scale-up to an industrial-sized plant for the Mount Peake mining operation. The testwork will be completed at CSIRO's extensive facilities in Western Australia.

The next work programme will involve detailed understanding of any metallurgical variability spatially and at depth with respect to magnetic and leaching characteristics, followed by magnetic separation of a bulk sample for this definitive pilot plant trial at CSIRO. The pilot plant planning at CSIRO is advanced, with equipment fabrication underway and long-lead items and first-fill chemicals ordered.

During the reporting period, TNG signed a formal agreement with a leading European-based international engineering and metallurgical technology group (see TIVAN® section below). At the end of the reporting period, the testwork programme being conducted with was nearing completion. Recently-completed acid regeneration experiments have been very encouraging on synthetic liquors, indicating less energy for regeneration compared to previous assumptions. A final assessment will be conducted on waste liquors derived from the CSIRO pilot plant.

Following the completion of this first key phase of metallurgical testwork for the DFS, progress on final metallurgical testwork was slowed to minimise capital expenditure in light of the current economic conditions. The CSIRO definitive pilot plant trial will commence after all results from this work have been received.

Major Project Status

The Mount Peake project was awarded Major Project status by the Chief Minister of the Northern Territory government marking a further significant milestone in the project's development. The granting of this status provides a whole of government approach to the project.

Project Approvals

The Notice of Intent (NOI) for the Mount Peake Project was submitted to the Northern Territory Government in July 2013. The NOI provides formal notification to the Government and other interested parties of TNG's intention to develop the Mount Peake Project.

The NOI provides an overview of the proposed activities, the environmental and social aspects and the proposed management strategies to be adopted by TNG in developing and operating the Mount Peake Project.

Leading global engineering and environmental consulting group GHD has been appointed to complete the Environmental Impact Study (EIS) for the Mount Peake Project.

During the reporting period, GHD completed the baseline flora and fauna surveys both for the proposed site of the Mount Peake operations and the transport corridor to the rail siding. Surface and ground water assessments have also been completed including ongoing monitoring programmes.

Groundwater Science has been appointed to conduct an aquifer search for the life-of-mine (LOM) of the operation and the initial desktop study has highlighted a number of high probability targets for both quality and quantity in close proximity to the mine site.

Review of Operations continued

The completed EIS is expected to be submitted to the Northern Territory Environment Protection Authority during Q1 2014.

As part of the Company's negotiations for a Mining Licence, discussions with the Central Land Council were progressed during the reporting period, and an agreement is expected to be finalised in 2013.

Logistics

TNG has signed a Memorandum of Understanding (MoU) with Genesee & Wyoming Australia Pty Ltd (G&W), the rail operator and rolling stock provider for the Northern Territory railway.

Under the non-binding agreement, TNG and G&W have established a framework for negotiating and entering into formal agreements for the use of land and rail facilities.

G&W completed a comprehensive logistics study for transport of the finished products both north and south of the Mount Peake site and have highlighted a number of potential cost saving opportunities which will be investigated further during the DFS.

In addition, TNG has also 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 Mount Peake.

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.

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

Mining, Geology, Hydrology, Geotechnical and Tailings Storage

The mining, geology, hydrology, geotechnical and tailings storage scopes have been put out to tender, reviewed internally and are ready to be awarded.

Off-Take and Financing

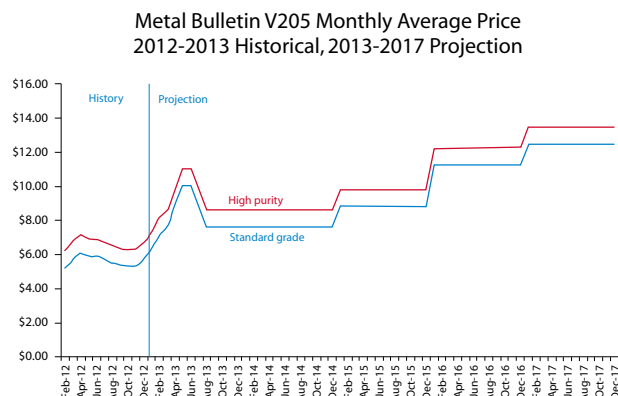
The Company is in preliminary discussions with third parties regarding potential off-take arrangements and financing for the Definitive Feasibility Study and, potentially, a proportion of project development expenditure.

Commodity outlook

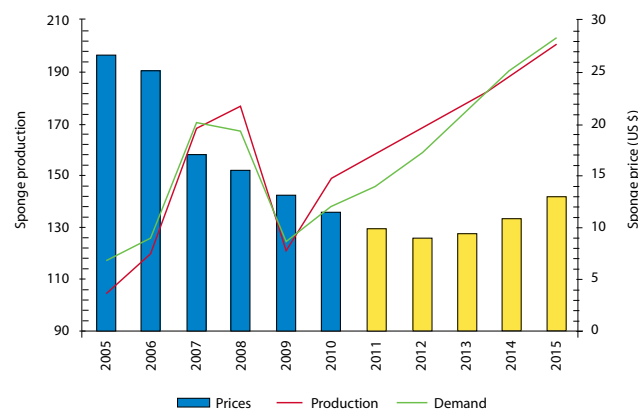
The TIVAN® process will produce 3 marketable products from the Mount Peake operation: High purity Vanadium Pentoxide, High purity Iron Oxide and Ilmenite grade Titanium dioxide. Independent studies have shown that these strategic metal products will be in high demand in the emerging high technology and power storage sectors and are likely to command higher prices.

Independent forecast prices for both vanadium pentoxide and titanium dioxide are shown below.

Vanadium Pentoxide forecast pricing



Titanium production & price and demand forecasts



Source Roskill 2012.

Review of Operations continued

TIVAN® Process

In January 2013, TNG signed a Memorandum of Understanding (MoU) with a leading Austrian/German based international engineering, metallurgical, development, and technology company and plant supplier (referred to herein as the engineering and technology specialists – ETS), regarding the commercial development of the TIVAN® hydrometallurgical process for processing vanadium ores. The MoU provides for the 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 billion in sales revenue in 2012 globally.

Following the signing of the MoU, the ETS commenced due diligence on the TIVAN® Process, and also participated in the next stage of development work aimed at providing the final parameters for the upscale design of a full commercial-sized operating plant (see above). 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 Company's ASX announcement dated 29 January 2013.

Patents

TNG Limited was the joint applicant, with Mineral Engineering Technology Services Pty Ltd, in respect of International Patent Application PCT/AU2011/000519 (the PCT Application), directed to a method for the extraction and recovery of vanadium from its Mount Peak project. The table below provides a summary of each National Phase Patent Application that corresponds to International Patent Application PCT/AU2011/000519, each proceeding at present with joint applicants:

Official Number	Country
2011256118	Australia
2797296	Canada
11782755.0	European Patent Convention
2012145197	Russian Federation
13/698,452	United States of America
PI 2012004939	Malaysia
201208362-2	Singapore
1-2012-03558	Vietnam

Trade Marks

TNG Limited is the sole proprietor of Australian Trade Mark Registration 1429797 for the trade mark TIVAN®, covering the following range of goods and services:

Class	Goods/Services
1	Vanadium, titanium and/or iron containing compounds for industrial use; metal oxides; metallic oxides; processed minerals; raw mineral substances; chemical products for use in the extraction and recovery of minerals; industrial minerals.
6	Metals, including vanadium, titanium and iron; alloys of vanadium, titanium and/or iron; ores of metal; processed metal ores.
40	Mineral processing services, including those directed to the extraction and recovery of vanadium, titanium and/or iron metal or compounds containing those metals; metallurgical processing; processing of metallic materials.
42	Engineering consultancy, including these services directed to methods of mineral processing and recovery; gas, oil, petroleum and minerals exploration; metallurgical analysis, testing and laboratory services; engineering testing; research, engineering and technical consultancy for industry.

The table below provides a case summary of Australian Trade Mark Registration 1429797:

Official Number	Country	Classes	Status
1429797	Australia	01, 06, 40, 42	Registered

Review of Operations continued

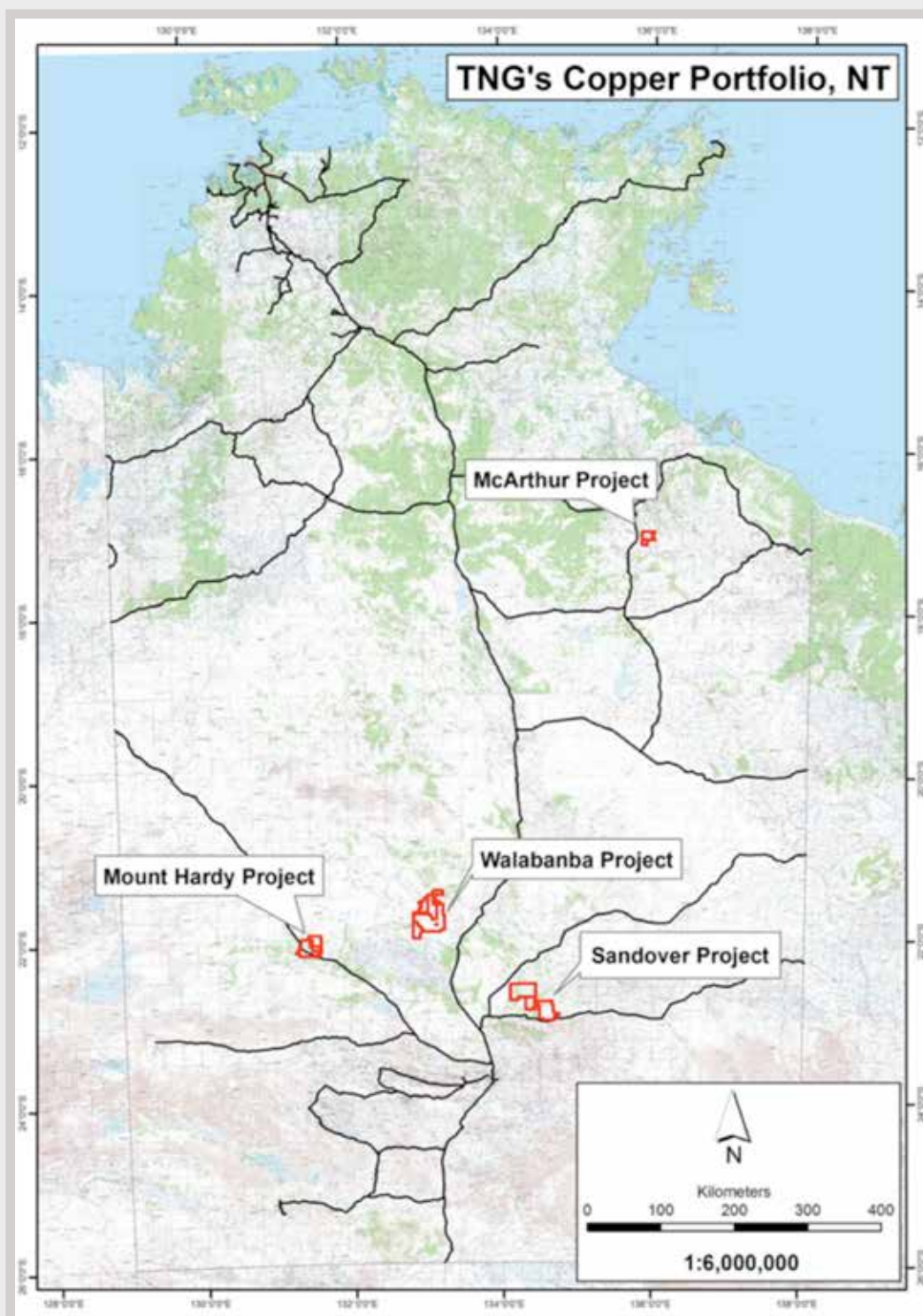
Additionally, TNG Limited has also obtained International Trade Mark Registration 1113988 for the trade mark TIVAN®, covering the following range of goods and services:

Class	Goods/Services
1	Titanium and/or iron containing compounds for industrial use; metal oxides; metallic oxides; processed minerals; raw mineral substances; chemical products for use in the extraction and recovery of minerals; industrial minerals.
6	Metals, including vanadium, titanium and iron; alloys of vanadium, titanium and/or iron; ores of metal; processed metal ores; vanadium.
40	Mineral processing services, including those directed to the extraction and recovery of vanadium, titanium and/or iron metal or compounds containing those metals; metallurgical processing; processing of metallic materials.
42	Engineering consultancy, including these services directed to methods of mineral processing and recovery; gas, oil, petroleum and minerals exploration; metallurgical analysis, testing and laboratory services; engineering testing; research, engineering and technical consultancy relating to the development of technologies.

International Trade Mark Registration 1113988 designates the following countries and regions. The case summary of each designation is provided below:

Official Number	Country
1552860	Canada
1113988	China
1113988	China
1113988	China
1113988	China
1113988	China
1113988	European Community
2011/29855	South Africa
2011/29856	South Africa
2011/29857	South Africa
2011/29858	South Africa
1113988	Russian Federation
79112126	United States of America

COPPER



Review of Operations continued

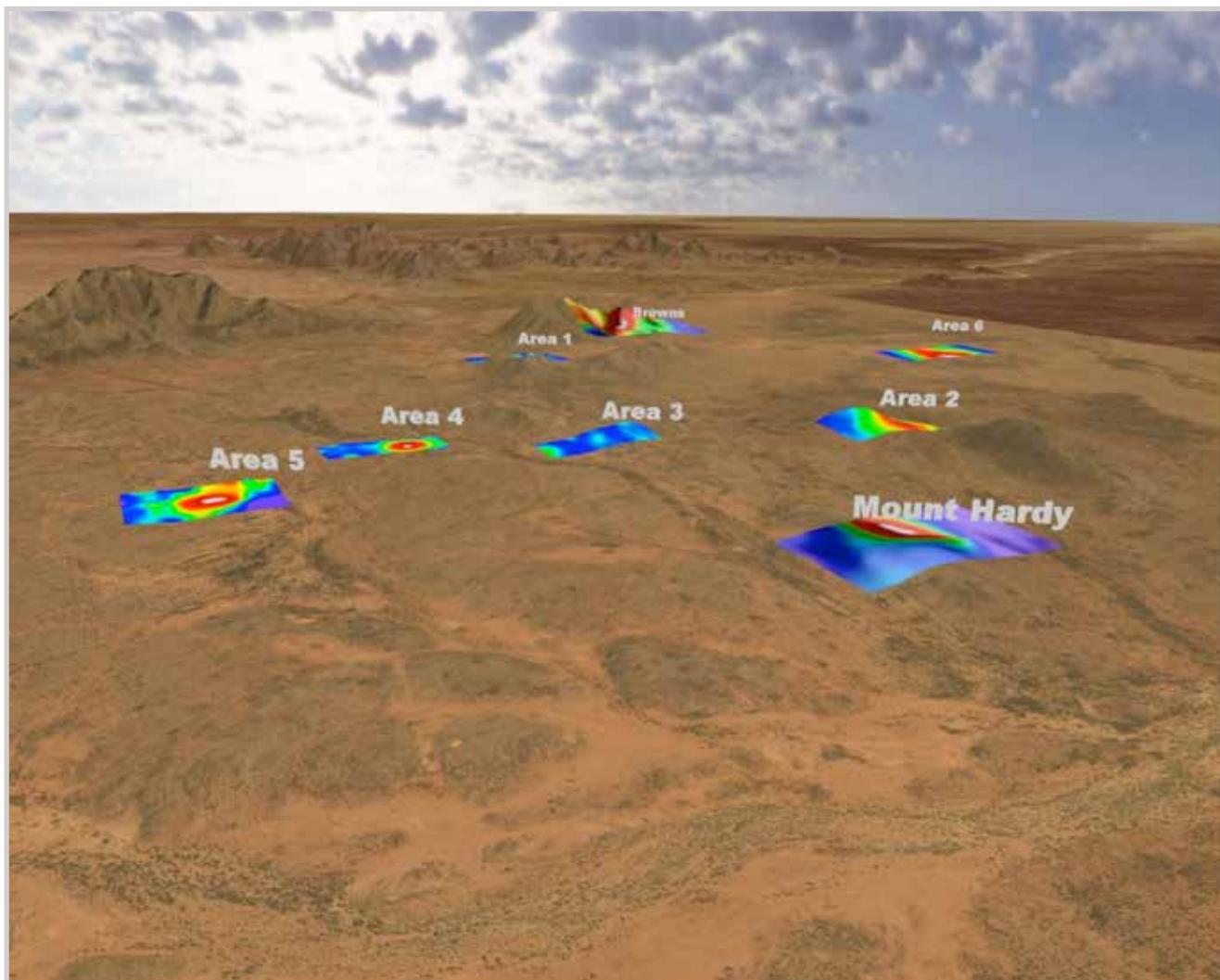
MOUNT HARDY COPPER PROJECT, NT

The Mount Hardy Copper Project is located within the Mount Hardy Copper Field, located 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 map sheets. Access to the Mount Hardy tenement is via the Tanami Highway. TNG has been the first exploration company to apply modern geophysical and drilling techniques to this highly prospective and historically known copper prospect. The area has broad strong surface mineralisation and six key prospects have been explored to date, confirming that the surface mineralisation extends to depth, with a further 11 geophysical targets remaining to be followed up.

TNG completed an extensive fieldwork programme during the reporting period, including an airborne VTEM survey; a high-powered ground-EM survey; 3D modelling; and a soil sampling, mapping and rock chip sampling programme focusing on priority targets. This fieldwork programme produced outstanding results, identifying numerous high priority targets with peak rock chip grades of 35.0% copper, 6.85% zinc, 16.15% lead and 7.93g/t gold.

The Company subsequently completed major Reverse Circulation (RC) and diamond drilling programmes to test key targets: Mount Hardy prospect, Browns prospect, EM Target 1-2, 4.

Location of Mount Hardy Prospects.



Review of Operations continued

Mount Hardy Prospect

The Mount Hardy prospect is defined as a 1km x 500m hill with broad oxide copper mineralisation exposed at surface. Three sections were drilled to target depth extensions to the strong surface copper mineralisation outlined last year of up to 46% Cu. (see *ASX Releases – 27 September 2012 and 10 October 2012*).

A total of four holes diamond drill holes (13MHDDH001 to 13MHDDH004) were drilled.

Best values included:

Hole 13MHDDH001:

- 11.0m at 0.87% Cu from 70m down-hole, including:
 - 1.0m at 4.21% Cu from 71.4m down-hole; and
 - 1.0m at 1.63% Cu from 73.8m; and
 - 0.8m at 1.05% Cu from 76.5m.

Hole 13MHDDH002:

- 10.3m at 1.35% Cu from 114.7m down-hole, including:
 - 0.9m at 6.06% Cu from 118.5m;
 - 0.8m at 2.93% Cu from 117.7m;
 - 0.6m at 1.97% Cu from 119.4m; and
 - 1.0m at 1.96% Cu from 114.7m.

Hole 13MHDDH003:

- 1.60m at 1.60% Cu from 45.40m, including:
 - 0.60m at 2.92% Cu from 45.40m
- 3.10m at 1.86% Cu from 61.90m, including:
 - 1.00m at 4.50% Cu from 62.50m

Hole 3MHDDH003:

- 0.60m at 2.92% Cu and 1.15g/t Au from 45.40m; and
- 1.00m at 4.50% Cu and 0.40g/t Au from 62.50m down-hole

Hole 13MHDDH004:

- 6.0m at 0.54% Cu from 108.0m downhole

Significantly, there are two intervals with high gold grades within this overall strong copper zone:

- 0.5m at 0.48 g/t Au from 109.7m down-hole, and
- 1.0m at 9.44 g/t Au from 112.0m down-hole

The presence of gold grades in excess of 9g/t Au, together with fresh hypogene copper mineralisation, is considered to be very encouraging.

These results support the interpretation (from the IP survey data) that the best mineralisation plunges at a shallow angle to the west, within the steeply NNW dipping mineralised sheet.

Browns Prospect

The Browns prospect is defined by a 500m x 500m hill with extensive oxide copper mineralisation on surface. Holes 13MHDDH005 to 13MHDDH009 were drilled at the original Browns Prospect, which was outlined by mapping and sampling conducted by TNG in late 2012.

Holes were drilled on two sections, targeting depth extensions to the surface mineralisation below a large outcropping quartz vein with significant malachite (copper oxide), and an area of old workings. Sampling in this area in late 2012 returned rock chip ICP results of up to 38.9% Cu (see *ASX Release – 27 September 2012*).

Assay results indicate significant copper grades over reasonable widths, with the best intersections summarised below:

Hole 13MHDDH005

- 5.0m at 0.58% Cu from 60.0m down-hole, including 1.0m at 1.01% Cu from 62.0m down-hole; and
- 0.5m at 1.39% Cu from 63.0m down-hole; and
- 5.4m at 0.62% Cu from 14.5m down-hole in 13MHDDH008

These results are encouraging and further work is planned for later in the year.

A diamond hole designed to test an IP anomaly outlined south of the Browns Prospect (13MHDDH015) returned the most significant results to date. This hole intersected a broad zone of copper, zinc and lead mineralisation with outstanding zinc grades and strong copper and lead values. Best values were:

- 13.0m at 1.17% Cu, 1.82% Zn and 0.46% Pb from 74m down-hole, including
- 1.0m at 3.86% Cu, 11.75% Zn, 2.09% Pb from 77m down-hole

Copper mineralisation is predominantly hosted within chalcopyrite, although some minor chalcocite and bornite is also present at this depth. Lead and zinc are found in galena and sphalerite respectively.

These base metal grades are hosted within a quartz breccia and, in places, approached massive sulphide composition. This mineralisation is within the prospective Lander Beds Proterozoic rocks, as with other mineralisation seen over the Mount Hardy Project.

The IP target was outlined from the interpretation of a survey completed in March 2013, measuring approximately 500m x 200m. There is significant potential for more mineralisation within this feature and further drilling is required to define this.

Review of Operations *continued*

EM Target 1

Holes 13MHDDH010 and 13MHDDH011 were drilled to test significant conductors outlined at EM Target 1 (see *ASX Release – 22 January 2013*). Subsequent DHEM surveying outlined a strong 1000 Siemen off-hole conductor below and to the north-east of hole 12MHRC001; this plate was the target of diamond drillhole 13MHDDH010.

The drilling successfully pierced the conductor where a broad zone of high grade Cu-Zn-Pb-Ag mineralisation was intersected returning 21.0m @ 0.46% Cu, 3.5% Zn, 1.91% Pb and 36 g/t Ag, from 211m down-hole.

In addition, individual samples within this zone returned maximum values of 1.88%Cu, 12.05% Zn, 7.25% Pb, and 130g/t Ag. The mineralisation remains open in all directions and further DHEM will be carried out to confirm the mineralised trend and locate further targets for drilling. Diamond drill-hole 13MHDDH011 targeted a strong off-hole EM conductor defined from DHEM. A small zone of multi-element mineralisation was intersected with maximum results of 0.1% Cu, 3.5% Zn and 1.2% Pb.

Additional DHEM will be carried out to identify the mineralised trend and locate further targets for drilling.

EM Target 2

Diamond drill hole 13MHDDH012 was designed to test the off-hole EM conductor outlined from hole 12MHRC002 at EM Target 2. The conductor was successfully pierced and intersected significant base metal sulphides over a 25m interval, including maximum values of 5.9% Cu, 10.5 % Zn, 3.4% Pb and 55 g/t Ag.

The intersections in the three holes define a plane dipping steeply to the north-west, parallel to and just above the modelled plate. This mineralisation has now been outlined over a 50 x 50m zone and is open in all directions.

This exciting anomaly requires further DHEM and drilling.

EM Target 4

Hole 13MHDDH013 at EM Target 4 tested the off-hole plate modelled and interpreted from hole 12MHRC003 (which was designed to test the ground EM modelled plate), and intersected the plate in the lower central area. Results included 1.0m @ 2.0% Cu, and DHEM will determine further drilling.

Mount Hardy IP Anomaly

An IP geophysical survey was conducted over the Mount Hardy and Browns prospects in March. Each area displays strong surface copper anomalism, but did not generate a HELITEM® anomaly.

The IP survey outlined a strong chargeability anomaly at each area, with the Browns anomaly having a coincident conductivity high – both being high priority drill targets.

The Mount Hardy IP anomaly is clearly associated with the surface mineralisation that has now been tested with drilling. The Browns IP anomaly is some 300 metres to the south of the 2012 mapped surface base metal anomalism.

Weathering over the project area ranges from 10 to 60m in depth. At surface no sulphides are seen and copper species include chrysocolla, brochantite, and azurite, but are dominated by malachite.

Copper ore mineralogy is dominated by chalcopyrite below 80m down-hole. Supergene sulphide species chalcocite, bornite and rare native copper are seen between 20 and 100m below surface.

Hole 13MHDDH014 was designed to intersect the down plunge portion of the IP anomaly at Mount Hardy. Significant mineralisation has already been outlined in the up-dip position of the IP anomaly in holes 13MHDDH001 through 013MHDDH004 (see *ASX releases 18th April, 29th April 2013*).

Minor mineralisation was intersected in this drill hole, with 6.0m @ 0.7% Cu, including 1.0m @ 2.0% Cu. The IP anomaly remains open and will be further assessed by down-hole geophysical methods.

A full assessment of all drilling will be completed after the next phase of DHEM surveys has been completed.

Acquisition of new EL in Mount Hardy area

In November 2012 TNG entered into a contract to further expand its strategic land-holding in the Mount Hardy Copper Field by acquiring an additional tenement, EL 28694, immediately adjacent to the exploration activity outlined above. TNG acquired the tenement from privately owned company Tierra Rica Pty Ltd, for consideration of \$95,000.

The new tenement abuts the Company's existing ELs in the Mount Hardy region and secures an additional 413km² area around the Mount Doreen granite. The tenement contains other prospective areas that TNG understands have been poorly explored.

Review of Operations *continued*

Mount Hardy Project: The Next Steps

The strong results returned from the Mount Hardy and Browns prospects, as well as from EM Targets 1, 2 and 4 indicate that the project area is:

1. Extensively mineralised at surface and at depth within a restricted 2km x 2km area;
2. Poly-metallic mineralisation phases have been intersected at depth in zones of structural and geophysical control; and
3. Re-interpretation of HELITEM® work in July 2012 of the total 17 anomalies outlined by the HELITEM® survey identified eight of the remaining HELITEM® targets as priority areas for further work.

This project is emerging as a large-scale, polymetallic-style project requiring significant further geophysics and drilling. Further surface geophysics and DHEM is required to accurately define additional targets and mineralised zones prior to drill testing.

The Company remains enthusiastic about the potential of the Mount Hardy Copper Project and will consider other potential avenues to progress this Project to the next level. This could include securing external funding via a farm-in joint venture.

WALABANBA HILLS JV: COPPER

TNG earning 51% with potential to increase to 80% (all minerals except uranium)

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.

In July 2012 TNG conducted a HELITEM® survey over portions of the Walabanba Hills Project area to identify targets for copper mineralisation. All of the HELITEM® anomalies outlined from the survey have subsequently been ground checked and a programme of ground EM is being planned.

In addition, a copper anomaly in laterite, coincident with an anomalous electro-magnetic conductor, has been outlined over an area of 1,000m x 200m in pXRF sampling.

MCARTHUR RIVER PROJECT: COPPER

TNG 100%

During the reporting period, negotiations with Traditional Owners regarding access to McArthur, Yah Yah and Black Springs exploration licences were progressed, and preparations are underway for a detailed exploration programme.

These tenements will continue to be a focus during the 2014 Financial Year and remain highly prospective.

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.

Mineralisation at McArthur River is hosted by the Mallapunyah Formation, in two dolomitic and variably bituminous intervals informally termed the 'upper' and 'lower' copper beds, which are 1m to 150mm thick, respectively. Chalcocite and chalcopyrite are present in the 'lower copper bed' along its strike length of 500m. Copper mineralisation in the lower copper bed 5km north of the Kilgour Crossing prospect comprised approximately equal quantities of chalcocite and bornite.

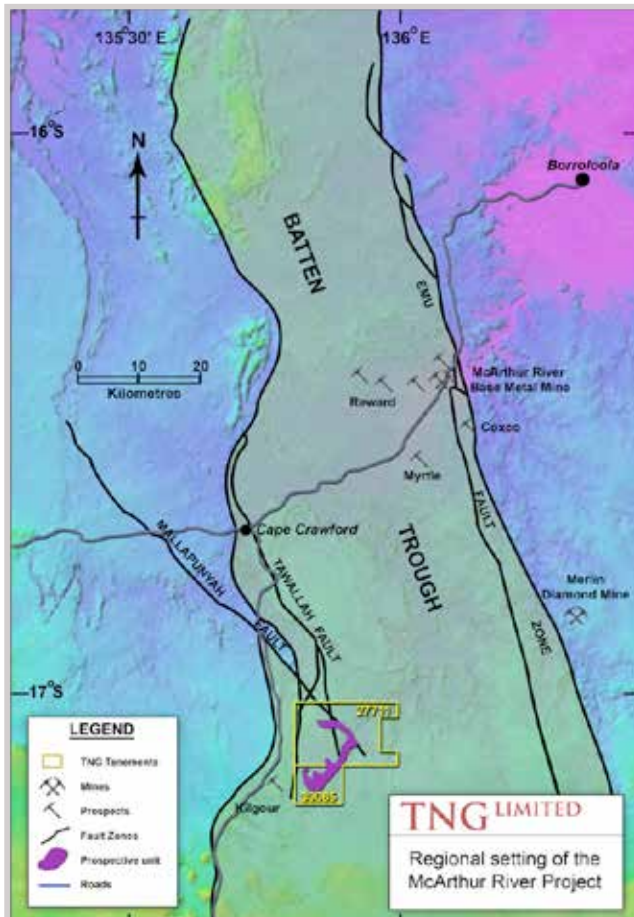
Previous exploration in the area was conducted by companies including Carpentaria Exploration, Australian Geophysicals, Aberfoyle and Mount Isa Mines.

During the year, 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.

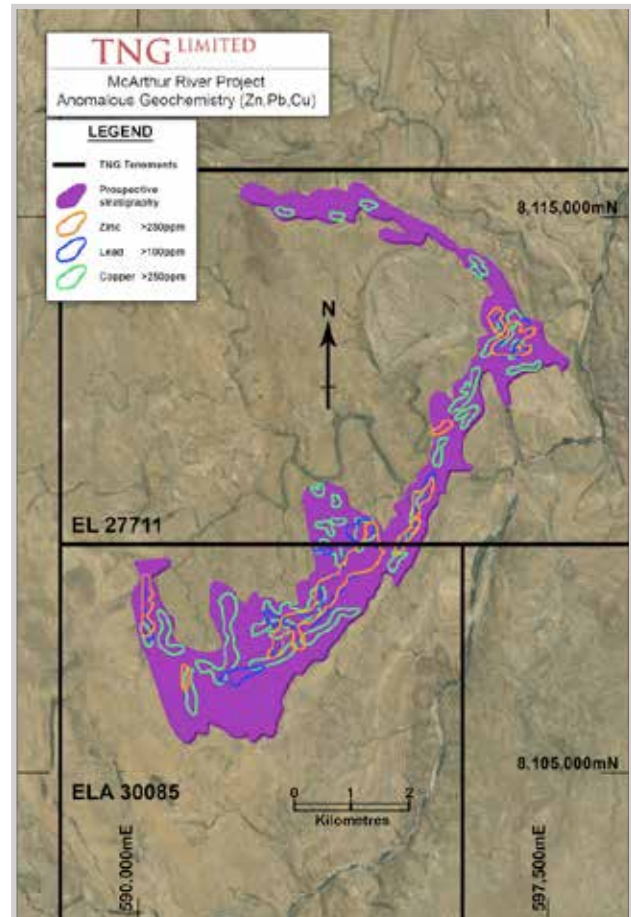
ELA 30085 TNG has applied for additional tenure as a result, adjacent to the existing McArthur River tenements to secure its strategic position along this prospective trend increasing its total land-holding in the region to 223km².

Review of Operations continued

Location of McArthur licences



Anomalous geochemistry



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 handpicked, 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.

TNG plans to complete a thorough rock chip sampling programme over the region in order to confirm the scope and tenor of mineralisation, and will potentially also conduct a VTEM survey to map the host rock. Access to the tenement was declined by the Traditional Owners at this time and a second meeting is being sought.

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 company relinquished this licence post year end.

SANDOVER PROJECT: COPPER: TNG 100%

ELA 29252, ELA 29253 and ELA 29254

The Sandover Copper Project tenements are located approximately 100km northeast 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 (ELs 29252, 29253, and 29254) were granted in late 2012 and cover 1,742km² (553 blocks) in the highly prospective Aileron and Irindina Provinces, some 120-180km to the northeast of Alice Springs.

Review of Operations continued

SANDOVER PROJECT: COPPER: TNG 100% continued

During the June 2013 Quarter, TNG commenced new copper-gold exploration programmes in the Sandover area, including geological mapping, rock and geochemical sampling programmes.

Most of the tenement area is underlain by high-grade metamorphic rocks of the Aileron Province, namely Proterozoic schists and gneisses. This sequence hosts both gold and base metal deposits, a world-class rare earth deposit at Nolans Bore, and TNG's Mount Peake deposit to the northwest.

The south-eastern portion of the tenement group falls within the Harts Range Metamorphic belt (Irindina Province).

Mineralisation in the vicinity of the Sandover Project tenure includes:

- Home of Bullion Cu-Pb-Zn-Au-Ag prospect (Kidman Resources);
- Johnnies Reward Cu-Au deposit (Transol);
- Molyhil W-Mo deposit (Thor Mining);
- Nolans REE deposit (Arafura Resources);
- Mud Tank Vermiculite deposit;
- Jervois Cu-Au-Pb-Zn-Ag prospect (Kentor Resources); and
- The recently outlined Illogwa IOCG belt (Mithril Resources).

The tenements have had only minor previous exploration work completed in the past with soil rock and stream sampling conducted at various times: CRA in the 1980's, Helix Resources in the late 1990's and Tanami Gold in the early 2000's; however, mica mines were worked up until the 1950's and a copper occurrence is known with recorded values up to 0.6% Cu and 0.2% Pb (source: NTGS openfile Database). The regolith is complex and will require a focused geochemical exploration programme.

Initial work concentrated on the known mineralisation and occurrences, together with regolith mapping and sampling. Initial ground reconnaissance was conducted over one tenement, with moderate copper anomalism noted in a structurally complex area. A total of 165 rock samples were collected in June and submitted for multi-element and gold assay.

The Company intends to progress this with a JV partner to follow this with targeted geophysical surveys, similar to those conducted with much success at TNG's Mt Hardy Project.

OTHER PROJECTS

MANBARRUM ZINC-LEAD-SILVER PROJECT: TNG 100%

During the reporting period, TNG was advised by its joint venture partner KBL Mining Limited that KBL had decided to withdraw from the farm-in Joint Venture Agreement covering the Manbarrum Project due to KBL's limited professional and financial resources.

As a result, the final \$2 million bullet payment due by December 2013 to enable KBL to complete its 51% earn-in will not be received. TNG had previously received an initial cash payment of \$0.5 million after the agreement was signed in 2011.

Subsequent to the end of the reporting period, in August 2013 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 Vanadium-Iron-Titanium Project, and its intention to realise value from, or monetise, its substantial non-core mineral assets in the Northern Territory.

Review of Operations continued

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.

WDR completed a drilling programme at the Rover JV, comprising four diamond drill holes for a total of 1,542.9m to test the BIF Hill gold-copper prospect. Further results are awaited.

East Rover Target

An IP survey was carried out at East Rover in order to pinpoint specific targets highlighted in the gravity and EM data. Eight IP traverses were carried out over three separate areas and three high priority chargeability anomalies were detected.

WDR took advantage of the drill rig being in the area at BIF Hill and immediately commenced drilling of these IP targets. Three diamond holes were drilled, two sited adjacent to the Rover 1 deposit and one on the eastern edge side, where the densest body is modelled. A total of 1,429.8m was drilled, including pre-collars.

Assays from this drilling returned no significant results, and the source of the IP and EM anomalies targeted during drilling remains unresolved. Some petrophysical testing will be undertaken on the core to improve the models and assess the effectiveness of the holes in hitting their targets, and to assist in locating revised targets.

No further information has been received from WDR in relation to future work.

MCTAVISH PROJECT JOINT VENTURE: TNG 2% ROYALTY, BARMINCO 70%

No work was undertaken during the reporting period.

KINTORE EAST JOINT VENTURE: TNG 20%, LA MANCHA 80%

TNG retains a 2% gold royalty in these prospective tenements. No work was reported by La Mancha.

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 a 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 has received 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.

The transaction is consistent with TNG's focus on the continued evaluation and development of its flagship Mount Peake Project. It has been structured so that TNG will retain either a 20% interest or 2% NSR giving it continued exposure to the potential exploration upside of the project.

CORPORATE

CAPITAL RAISING

Share Placement

TNG announced on 6 May 2013 that it had received firm commitments for a placement of 14,285,714 shares to sophisticated investors at a price of \$0.07 each, raising \$1 million before costs.

The Company was also in discussion with its major shareholder Ao-Zhong (ECE), who indicated that it wished to participate in the capital raising subject to certain conditions. Agreement on the conditions was not completed at the time and discussions ceased but may continue in the future.

Review of Operations *continued*

Share Placement (continued)

Following this, the Company received applications in respect to an additional 6,499,197 shares, bringing the total amount raised to \$1.454 million. The placement was completed within the Company's existing 15% placement capacity.

Proceeds of the placement will be directed to ongoing activities, in particular the Definitive Feasibility Study on the Mount Peake Project and working capital purposes.

Share Purchase Plan

To further strengthen the Company's cash position, on 2 July 2013, TNG announced that it was offering eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP) to acquire up to \$15,000 worth of fully paid ordinary shares in TNG at an issue price of \$0.045 per share, and including a free attached 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.

The SPP closed on Friday 9 August 2013, raising \$1.2 million before costs.

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

Any shares and attaching options not subscribed for by eligible shareholders under the SPP will comprise the shortfall and may be offered to institutional and/or sophisticated investors as a separate placement, at the discretion of the Directors.

The Company has had preliminary discussions from investors for the shortfall, and Directors will allocate the shortfall at their discretion.

STRATEGIC EXPENDITURE REDUCTIONS

In light of the increasingly challenging economic conditions, TNG implemented a multi-pronged approach 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.

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. Accordingly, the Company will continue to progress the evaluation and development of Mount Peake as its flagship asset in a cost effective and focused manner.

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.

BOARD CHANGES

TNG has appointed experienced resource company executive and director Mr Michael Evans as a Non-Executive Director. Mr Evans is a highly experienced mining and resource industry executive based in Perth who has extensive executive and board level experience with publicly listed companies in the natural resource sector.

He was until recently the founding Executive Chairman of oil explorer and producer FAR Limited (formerly First Australian Resources), a position he held from 1995. Under Mr Evans' stewardship, FAR established and built up an extensive international oil and gas portfolio spanning Africa, North America and Australia – with industry partners including Amoco, Shell, BHP, BP, Exxon, CNOOC and Woodside. Prior to that, Mr Evans was Director of a private Asian Investment company based in Hong Kong pursuing resource opportunities in China. Between 1983 and 1991, he was Joint Managing Director of Forsayth Group, which he, and his co-Managing Director, built from a junior explorer to become a significant gold producer with interests in five producing mines and two projects mines in Australia and overseas.

Mr Evans, a Chartered Accountant, commenced his career with Peat Marwick Mitchell & Co then Price Waterhouse & Co before taking up a lecturing post at Curtin University in the School of Business Law.

R&D REFUND

TNG received a Research & Development refund claim for \$3.2 million 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 & 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 vanadium, titanium and iron units from vanadiferous titanomagnetite using the patented TIVAN[®] hydrometallurgical process owned by the Company and Mineral Engineering Technical Services Pty Ltd (METS).

Review of Operations continued

DAVIS SAMUEL

Commonwealth and Davis Samuel

In the period September to December 1998 management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee Directors committed TNG to a series of transactions involving expenditure totalling \$1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its Directors which effectively provided for the repayment of the funds expended, and TNG would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing TNG from selling or otherwise disposing of them.

The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 Settlement Agreement. The Commonwealth is on notice that if TNG suffers damages as a result of the Commonwealth's injunction, and the Commonwealth ultimately fails to prove its constructive trust claim, TNG will claim the damages from the Commonwealth.

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark. TNG vigorously defended the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008. The court reserved its decision, which was handed down on 1 August 2013.

The decision handed down on 1 August 2013 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 or an amount equal to their assessed value of \$1,274,000.

The Court also gave judgment for TNG on its counterclaim 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.

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the Commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal costs.

The above decision requires further hearings and determinations to take place before final orders are made. As a result any cost and counter claims cannot be reliably measured at this point in time. Further submissions are also listed to be heard on 6 December 2013 as to the orders to be made in favour of the Commonwealth and TNG against the other defendants, including on TNG's cross claim. TNG has already been awarded damages to be assessed against the defendants to its cross claim.

¹ *The Kanowna Light securities in dispute were placed in escrow in prior years, as a result they no longer form part of TNG's balance sheet.*

SENIOR APPOINTMENTS

During the reporting period, TNG appointed two senior executives.

Mr Tony Hadley was appointed as Project Director, to oversee the feasibility and development of the Mount Peake Project, and Mr Kim Grey was appointed Exploration Manager to oversee the expansion of exploration activities across TNG's portfolio of resource assets in the Northern Territory.

Mr Hadley will consult to TNG in this capacity in the next financial year.

CASH AND INVESTMENTS

At 30 June 2013, the Company had cash and investments of \$2.8 million. Subsequent to year end the cash position was further improved by a capital raising of \$1.2million and an R&D refund of \$3.2 million as referred to above.

Review of Operations continued

APPENDIX ONE:

COMPETENT PERSONS STATEMENTS

2004

In relations to the projects other than Mount Peake, McArthur and Mount Hardy

The information in this report that relates to Exploration Results and is based on information compiled by Mr Paul Burton, B.Sc, M.Sc, is also a Member of The Australasian Institute of Mining and Metallurgy, and an employee and Director of TNG Limited. Mr 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'. Mr Burton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

In relation to the Mount Peake Project PFS, metallurgical test work

Mr Damian Connelly, FAAusIMM, Chartered Processional (MET), MMICA, 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.

In relation to the 2012 PFS, resource and mining analysis

The information in this report that relates to the Mineral Resources 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 and Mining 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 and 2012 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.

2012

In relation to the Mount Hardy and McArthur projects

The information in this report that relates to Exploration Results and Exploration Targets is based on, and fairly represents, information and supporting documentation compiled by Exploration Manager Mr Kim Grey B.Sc. and M. Econ. Geol. Mr Grey is 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.

In relation to the updated mineral resource of the Mount Peake project

The information in this report that relates to Mineral Resources 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 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.

Corporate Governance

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of TNG Ltd (the “Company”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations (ASX Guidelines), the Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and

procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be appropriate.

Where, after due consideration, the Company’s corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The table below summarises the Company’s compliance with the Corporate Governance Council’s Recommendations.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 27
1.2	Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Page 31
2.1	A majority of the Board should be independent directors.	No	Page 27/31
2.2	The chairperson should be an independent director.	No	Page 31
2.3	The roles of chairperson and Managing Director should not be exercised by the same individual.	Yes	
2.4	The Board should establish a nomination committee.	No	Page 31
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 32
3.1	Establish a code of conduct to guide the directors, the Managing Director, the Chief Financial Officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> - the practices necessary to maintain confidence in the Company’s integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Page 29
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy.	Yes	Page 31
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity for the Board in accordance with the diversity policy and progress to achieving them.	No	Page 31
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	Page 31
4.1	The Board should establish an audit committee.	Yes	Page 28

Corporate Governance continued

	Recommendation	Comply Yes / No	Reference / Explanation
4.2	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> - only Non-Executive Directors; - a majority of Independent Directors; - an Independent Chairperson, who is not Chairperson of the Board; - at least three members. 	No	Page 28
4.3	The audit committee should have a formal charter.	Yes	Website
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
6.1	Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 30
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 30
7.3	Disclose whether the Board has received assurance from the CEO or equivalent and CFO that the declaration provided in accordance with CA section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 30
8.1	The Board should establish a remuneration committee.	No	Page 30
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> - consists of a majority of Independent Directors; - is chaired by an Independent Chair; and - has at least 3 Directors. 	No	Page 31
8.3	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.	Yes	Page 31

The Company's corporate governance practices were in place throughout the year ended 30 June 2013.

Further information about the Company's corporate governance practices is set out on the Company's website at www.tngltd.com.au.

BOARD OF DIRECTORS

Role of the Board and Management

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day to day management of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other Executive Director and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

Composition of the Board

The Company currently has the following Board members:

Jianrong XU	(Chairman)
Paul Burton	(Managing Director)
Geoffrey Crow	(Non-Executive Director)
Michael Evans	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
Wang Zhigang	(Non-Executive Director)

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board composition comprises of 3 Non-Independent Directors. The Board believes that all the individuals on the Board should make quality and independent judgements in the best interests of the Company and possess skills and experience suitable for building the Company.

The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's history and the size and scale of operations. As the Company's activities change in size, nature and scope, the size of the Board will be reviewed and the optimum number of Directors required for the Board to properly perform its responsibilities and functions assigned.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of *the Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

Corporate Governance continued

Committees of the Board

To assist the Board in carrying out its responsibilities, the Board has established the following committees:

- Audit Committee

The Audit Committee operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Full Board were members of the Audit Committee for the year ended 30 June 2013.

Qualifications of Audit Committee members

For details of the qualifications of the Audit Committee members, the number of Audit Committee meetings held during the year and the attendees at those meetings, refer to the Directors' Report.

Conflicts of Interest

In accordance with the *Corporations Act 2001* and the Company's Constitution, Directors must advise of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned may be excluded at the meeting whilst the item is considered or decided on.

Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors.

The principles of the code are:

- A Director must act honestly, in good faith and in the best interests of the Company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A Director must not make improper use of information acquired as a director.
- A Director must not take improper advantage of the position of director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.
- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

Corporate Governance continued

Code of Ethics and Conduct (continued)

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors, Officers, Employees and Consultants of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information. The securities trading policy provides prescribed closed periods during which Employees are prohibited from dealing in the Company's securities (subject to certain limited exceptions).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of *the Corporations Act 2001* and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

Interests of Other Stakeholders

The Company's objective is to develop and commercialise its exploration tenements to create wealth for shareholders and add value for other stakeholders.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as above.

DISCLOSURE OF INFORMATION

Continuous Disclosure to ASX

The Company is committed to complying with the continuous disclosure obligations of *the Corporations Act 2001* and the ASX Listing Rules to ensure investor confidence and achieve full and fair value for the Company's securities through appropriate disclosure.

The Company must immediately notify the market (via an announcement to ASX) of any information concerning the Company which a reasonable person with experience in the minerals industry would expect to have a material effect on the price or value of the Company's securities.

Information need not be disclosed if:

- (i) a reasonable person would not expect the information to be disclosed;
- (ii) the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

Corporate Governance *continued*

Continuous Disclosure to ASX (continued)

- (iii) one or more of the following applies:
- (iv) it would breach the law to disclose the information;
- (v) the information concerns an incomplete proposal or negotiation;
- (vi) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- (vii) the information is generated for internal management purposes; or
- (viii) the information is a trade secret.

The Chairman and Managing Director are responsible for interpreting and monitoring the Company's disclosure obligations and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Annual Report.
- Presentations at the Annual General Meeting/General Meetings; and
- Periodic presentations to investors.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

RISK MANAGEMENT

Identification of Risk

The Board is responsible for the oversight of the Company's risk management and control framework.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include:

- regular reporting to the Board in respect of operations and the financial position of the Company; and
- where appropriate the appointment of appropriately skilled consultants to provide independent assessment of operational results and proposals

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entity for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Role of Auditor

The Company's auditor is invited to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Remuneration Arrangements

The Board has not established a Remuneration Committee responsible for making recommendations to the Board on remuneration arrangements for Directors and executives of the Company.

All of the Directors with the exception of the Managing Director currently receive a separate Directors' fee of \$60,000 per annum, (reduced to \$50,000 with effect from 1 August 2013) inclusive of statutory superannuation where applicable.

Corporate Governance continued

Remuneration Arrangements (continued)

There is no direct link between remuneration paid to any of the Directors and corporate performance such as bonus payments for achievements of key performance indicators.

The aggregate amount payable to the Company's Non-Executive Directors for undertaking their duties as Directors must not exceed the maximum annual amount approved by the Company's shareholders (currently \$300,000).

For a full discussion of the Company's remuneration philosophy and framework, and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committee.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Company's financial performance; and
- annual performance appraisal meetings with each individual.

Diversity

The Company recognizes the value contributed to the organization by employing people with varying skills, cultural backgrounds, ethnicity and experience.

In line with the Corporate Governance recommendations, the Company has implemented a Diversity Policy.

The Managing Director is responsible for the ongoing implementation of the diversity policy.

As at 30 June 2013, the Company does not have any female Board Members or senior managers (2012: Nil). Of the balance of the Company's employees, 40% are female (2012: 50%).

COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the Company's 2012/2013 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
2	2.1	A majority of the Board are not Independent Directors.	Given the present size of the Company, the composition of the Board and its Chairperson is considered appropriate. The Board will consider the appointment of further independent directors and the role of Chairperson as the Company increases in its size and complexity.
	2.2	The Chairperson is not an Independent Director.	
	2.4	The Board has not established a separate Nomination Committee.	The full considers board nominations. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
3	3.2, 3.3	The Diversity Policy does not include measureable objectives for achieving gender diversity.	The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.
4	4.2	The Audit Committee does not comprise a majority of Independent Directors.	The role of the Audit Committee is carried out by the full Board. Only three members of the Board are considered Independent Directors.
8	8.1	The Board has not established a separate Remuneration Committee.	Due to the relatively small size of the Board, the Board considers that a separate Remuneration Committee would not add efficiency to the process of determining the level of remuneration for the directors and key executives.

Directors' Report

The Directors present their report together with the financial report of TNG Limited (TNG or the Company) and of the Group, being the Company and subsidiaries for the financial year ended 30 June 2013 and the auditors report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Mr Jianrong Xu

Non-independent Non-executive Chairman

Mr Xu is Deputy Director-General of the East China Mineral Exploration and Development Bureau (ECMED).

Mr Xu is the current General Manager of ECE, Deputy Managing Director of Jiangsu Geophysical Society, the Chairman of HK ECE, Hong Kong East China Non-Ferrous International, Mineral Development Co Ltd, Namibia East China Non-Ferrous Investments Pty Ltd and other OCMED wholly owned subsidiaries.

Mr Xu is also a director of AIM-listed Company, China Africa Resources Plc.

Mr Paul Burton, *B.Sc (Hons) Geology (UK), M.Sc Mineral Exploration (Canada), MAusImm, FAEG, MAICD*

Managing Director

Mr Burton is an Exploration Geologist/Geochemist with over 20 years experience in Exploration and Mining.

Mr Burton is experienced in running successful exploration programs for a variety of commodities. He has held consulting and senior management roles with major exploration companies.

Mr Burton has held no other directorships.

Neil Biddle, *B.App.Sc(Geology), M.Aus.IMM*

Independent Non-Executive Director

Mr Biddle was appointed in 1998. He has over 20 years professional and management experience in listed public companies involved in mining and exploration.

During the last four years Mr Biddle has served as a director of Sherwin Iron Limited and Marenica Energy Ltd.

Mr Biddle is currently a director of Sturt Resources Ltd, Pilbara Minerals Ltd and Arunta Resources Ltd.

Mr Biddle resigned as director on 31 May 2013.

Geoffrey Crow

Independent Non-Executive Director

Mr Crow has more than 25 years experience in all aspects of corporate finance and investor relations in Australia and international markets, and has owned and operated his own businesses in these areas for the last thirteen years.

Mr Crow has held no other public directorships

Michael Evans *B.Bus, ACA, ACIS*

Independent Non-Executive Director

Mr Evans, a Chartered Accountant, is a highly experienced mining and resource industry executive based in Perth who has extensive executive and board level experience with publicly listed companies in the natural resource sector.

He was until recently the founding Executive Chairman of oil explorer and producer FAR Limited (formerly First Australian Resources), a position he held from 1995. Prior to that, Mr Evans was Director of a private Asian Investment company based in Hong Kong pursuing resource opportunities in China.

Between 1983 and 1991, he was Joint Managing Director of Forsyth Group, which he, and his co-Managing Director, built from a junior explorer to become a significant gold producer with interests in five producing mines and two projects mines in Australia and overseas.

Mr Evans was appointed director on 31 May 2013.

Rex Turkington, *B.Com(Hons), BCA,GAICD,AAFSI,ADA1(ASX)*

Independent Non-Executive Director

Mr Turkington is a highly experienced corporate advisor and economist who has worked extensively in the financial services in Australia, specializing in the exploration and mining sectors. He has extensive experience with equities, derivatives, foreign exchange and commodities, and has participated in numerous corporate initial public offerings and capital raisings for listed exploration and mining companies.

Mr Turkington is currently a Director of an Australian corporate advisory company, offering corporate finance and investor relations advice to listed companies. He holds a first class Honors Degree in economics, and is an Associate of the Securities Institute of Australia.

Directors' Report continued

Zhigang Wang

Non-Independent Non-Executive Director

Mr Wang is Chairman of Aosu which is part of the Wanlong Group of companies (Wanlong Group) comprising Suzhou Wanlong Electric Group Co. Ltd (Wanlong) and Suzhou Beijia Investment Co Ltd. (Beijia). Wanlong holds 51% of the issued capital of Aosu and Beijia holds the remaining 49%. Mr Wang also holds appointments as Director of Technology Management Department of Wanlong, and is a Director of Beijia.

Mr Wang completed his Bachelor degree in Electrical engineering and automation from Shanghai Electric Power University in 2007, and has gained significant professional experience with major industrial groups in China prior to joining Wanlong and Beijia.

Simon Robertson, B.Bus, CA, M Appl. Fin.

Company Secretary

Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Chartered Secretaries of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

DIRECTORS MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of board meetings held during the time the Director held office	Number of board meetings attended	Number of audit committee meetings held during the time the Director held office	Number of audit committee meetings attended
Jianrong Xu	6	6	2	1
Paul Burton	6	6	2	1
Neil Biddle	6	4	2	1
Geoffrey Crow	6	6	2	1
Rex Turkington	6	6	2	-
Zhigang Wang	6	6	2	-

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the exploration and evaluation of its Mount Peake project and Mount Hardy projects; the review of projects for potential acquisition; the management of its other exploration properties and management of its interest in the Manbarrum and Cawse Extended Projects.

There were no other significant changes in the nature of the activities of the Group during the year.

REVIEW AND RESULTS OF OPERATIONS

The operating profit of the Group after income tax for the year was \$698,652 (2012: loss \$3,430,360). A review of the operations during the financial year is set out on pages 2 to 24.

Material Business Risks

The material business risks faced by the Group that are likely to have an effect on the financial prospects of the Group, and how the Group manages these risks, are:

- Future Capital needs – the Group does not currently generate cash from its operations. The Group will require further funding in order to meet its corporate expenses, continue its exploration activities at its Northern Territory tenements and to complete the Definitive Feasibility Study necessary to assess the economic viability of its Mount Peake Project. As disclosed in note 28, TNG received a \$3,195,992 Research and Development rebate under the Federal Governments R&D tax incentive scheme on 29 August 2013.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Also disclosed in note 28, the Group signed a binding Term Sheet with Legacy Iron Ore (ASX: LCY) to sell its 100%-owned Manbarrum Zinc-Lead-Silver Project in the Northern Territory 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 and other conditions precedent, with a further \$3 million in cash or Legacy shares to be paid on a deferred basis subject to further agreement between the parties.

- Exploration and Development Risks – whilst the Group has already discovered Vanadium-Titanium-Iron resources at the Mount Peake Project, the Group may fail to discover additional mineral deposits at its other Northern Territory projects and there is a risk that the Group's mineral deposits may not be economically viable. The Group employs geologists and other technical specialists, and engages external consultants where appropriate to address this risk.
- Commodity Price and Exchange Rate Risks – as a Group which is focused on the development of its Vanadium-Titanium-Iron and Copper projects the Group is exposed to movements in these commodity prices. The Group monitors historical and forecast pricing for these commodities from a range of sources in order to inform its planning and decision making.

DIVIDENDS

No dividends were paid during the year and the Directors do not recommend payment of a dividend.

REMUNERATION REPORT - AUDITED

1. Principles of Remuneration

This report details the amount and nature of remuneration of each director of the Company and the executives.

Key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group.

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning

director and executive objectives with shareholder and business objectives.

The remuneration policy, setting the terms and conditions for the executive Directors and other executives has been developed by the Board and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Board policy is to remunerate Directors at market rates for comparable companies for time, commitment and responsibilities. The full Board performing the role of the Remuneration Committee which determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors fees is subject to approval by shareholders at a General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may receive options if approved by shareholders.

There is no policy currently in place for the KMP to limit their exposure to risk in relation to the shares held and share options granted as part of their remuneration. All remuneration paid to Directors and executives is valued at cost to the Company and expensed.

Fixed Remuneration

Fixed compensation consists of base compensation being a flat per month director's fee or person's salary as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the board through a process that considers individual, segment and overall performance of the Group. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation

Performance linked compensation includes long-term incentives designed to reward key management personnel for meeting or exceeding specific objectives or as recognition for strong individual performance.

The long-term incentives are provided as shares and options over ordinary shares of the Company under the rules of the TNG share and option plans approved by shareholders on 21 November 2012. The board did not exercise any discretion on the payment of bonuses and options as the plans provide for no such discretion.

Short-term incentive bonus

There were no short term incentive bonuses offered or paid during the year ended 30 June 2013.

Directors' Report continued

REMUNERATION REPORT (CONTINUED)

Long-term incentive

Long term incentives comprise of shares and share options which are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholders wealth.

Options

Options are granted for no consideration and do not carry voting rights or dividend entitlements. Options are valued using the Black-Scholes methodology. Option exercise prices are determined based on a premium over and above weighted average share price at grant date. Both the number and exercise price of options issued are at the board's discretion.

Shares

Shares issued under the company share plan cannot be sold, transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue. Shares issued are valued using the Black-Scholes methodology. The number of shares issued is at the board's discretion.

TNG has issued limited Recourse Loans to the value of shares issued under the plans. The loans are repayable in full by the date which is 5 years after the date of issue of the Plan and are interest free. The loans are however, limited recourse, so if the Plan Shares are sold the proceeds will be taken to repay the loan even if the proceeds are less than the value of the loan.

In the event that vesting conditions are not satisfied, the participant or the company must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share being the higher of the loan amount or sale proceeds from those shares.

Consequence of performance on shareholder wealth

In considering the consolidated entity's performance and benefit for shareholder wealth the Board believe that at this stage of development there is no relevant direct link between revenue & profitability and the advancement of shareholders wealth. For this reason, the group does not currently link revenue and profitability against shareholder wealth.

	2013	2012	2011	2010	2009
Profit/(loss) attributable to owners of the company	\$698,652	(\$3,430,360)	(\$2,147,523)	(\$3,550,378)	(\$10,028,995)
Dividends paid	-	-	-	-	-
Share price at 30 June	\$0.05	\$0.08	\$0.07	\$0.04	\$0.04
Return on capital employed	3%	(13%)	(12%)	(34%)	(101%)

Non-Executive Directors

Fixed remuneration consists of base remuneration being a flat per month director's fee along with long term incentives that may be issued from time to time. Non-Executive Directors receive a Directors fee of \$60,000 per annum. Shareholders have approved Director's fees of an amount of up to \$300,000 cash in aggregate per annum. Superannuation contributions of 9.25% are paid on these fees as required by law.

Directors and executives may also receive either a salary (plus superannuation guarantee contributions as required by law, currently set at 9.25%), or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits except as stated. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation.

Service Contracts

Jianrong Xu – Chairman

- Term of Agreement – May 2012 until terminated by either party.
- Directors fees - \$60,000 (reduced to \$50,000 with effect from 1 August 2013) per annum excluding super plus any expense incurred.
- Early termination – Not applicable.

Paul Burton – Managing Director

- Term of Agreement – April 2010 until terminated by either party.
- Salary - \$360,000 per annum excluding super plus any expense incurred.

REMUNERATION REPORT (CONTINUED)

- Early Termination – The Company to give 6 months written notice or make a payment of 6 months salary in lieu. The employee to provide 6 months written notice. This applies to any reason other than gross misconduct.

Neil Biddle – Non-Executive Director

- Term of Agreement – December 1998 until resignation on 31 May 2013.
- Directors fees - \$60,000 per annum excluding super plus any expense incurred.
- During the year additional monies were paid to Hatched Creek Pty Ltd a related entity of Mr Biddle, for consulting services based on a daily rate, and are included in salary and fees.
- Early termination – Not applicable

Geoffrey Crow – Non-Executive Director

- Term of Agreement – February 2011 until terminated by either party.
- Directors fees - \$60,000 (reduced to \$50,000 with effect from 1 August 2013) per annum excluding super plus any expense incurred.
- Early termination – Not applicable.

Michael Evans – Non-Executive Director

- Term of Agreement – From appointment on 31 May 2013 until terminated by either party.
- Directors fees - \$60,000 (reduced to \$50,000 with effect from 1 August 2013) per annum excluding super plus any expense incurred.
- Early termination – Not applicable.

Rex Turkington – Non-Executive Director

- Term of Agreement – November 2011 until terminated by either party.
- Directors fees - \$60,000 (reduced to \$50,000 with effect from 1 August 2013) per annum excluding super plus any expense incurred.
- Additional monies are paid to Katarina Corporation Pty Ltd a related entity of Mr Turkington, for consulting services based on a daily rate, and are included in salary and fees.
- Early termination – Not applicable.

Zhigang Wang – Non-Executive Director

- Term of Agreement – January 2012 until terminated by either party.
- Directors fees - \$60,000 (reduced to \$50,000 with effect from 1 August 2013) per annum excluding super plus any expense incurred.
- Early termination – Not applicable.

Scott Rauschenberger – Chief Financial Officer

- Term of Agreement – November 2007 until terminated by either party.
- Salary - \$168,000 per annum excluding super plus any expense incurred.
- Early Termination – 2 months written notice or making a payment of 2 month salary in lieu. This applies to any reason other than gross misconduct.
- During the year Mr Rauschenbergers salary was recharged to Sturt Resources Ltd on a pro rata basis for financial services rendered.

Simon Robertson – Company Secretary

- Term of Agreement – August 2009 until terminated by either party.
- Consultancy fee - \$5,000 per month plus incidental expenses excluding GST is paid to SLR consulting Pty Ltd a related entity of Mr Robertson.
- Early Termination - 3 months written notice by either party.

Directors' Report continued

REMUNERATION REPORT (CONTINUED)

2. Directors and Executives officers remuneration

Details of the nature and amount of each major element of remuneration of each key management personnel are:

Directors Remuneration for the year ended 30 June 2013

Consolidated		Short Term		Post Employment	Long Term		Value of options as a proportion of remuneration
Directors		Salary & Fees	Other	Super-annuation	Share-based Payment Options	Total	
		\$	\$	\$	\$	\$	%
Jianrong Xu	2013	60,000	-	-	-	60,000	-
<i>Chairman</i>	2012	6,385	-	-	-	6,385	-
Paul Burton	2013	359,141	-	33,667	376,274	769,082	49%
<i>Managing Director</i>	2012	333,846	-	32,673	-	366,519	-
Geoffrey Crow	2013	60,000	-	-	113,479	173,479	65%
<i>Non-Executive</i>	2012	78,000	-	-	-	78,000	-
Michael Evans ¹	2013	5,000	-	-	-	5,000	-
<i>Non-Executive</i>	2012	78,000	-	-	-	78,000	-
Rex Turkington	2013	87,135	-	-	113,479	200,615	57%
<i>Non-Executive</i>	2012	90,697	-	-	-	90,697	-
Zhigang Wang	2013	60,000	-	-	71,671	131,671	54%
<i>Non-Executive</i>	2012	27,308	-	-	-	27,308	-
Neil G Biddle ²	2013	137,822	-	-	190,000	327,822	58%
<i>Non-Executive</i>	2012	540,000 ²	-	-	-	540,000	-
Total	2013	769,098	-	33,667	864,903	1,667,668	52%
	2012	1,076,236	-	32,673	-	1,108,909	-

¹ Michael Evans joined the board as a director on 31 May 2013

² Neil Biddle resigned as a director on 31 May 2013

Directors' Report continued

REMUNERATION REPORT (CONTINUED)

Remuneration of key management personnel for the year ended 30 June 2013

Consolidated		Short Term		Post Employment	Long Term		Value of options as a proportion of remuneration
Executives		Salary & Fees	Other	Super	Share-based Payment Options	Total	
		\$	\$	\$	\$	\$	
Scott L Rauschenberger ³	2013	163,897	-	13,919	57,207	235,023	24%
Chief Financial Officer	2012	121,354	-	10,440	-	131,794	-
Simon L Robertson	2013	63,000	-	-	56,740	119,740	47%
Company Secretary	2012	60,000	-	-	-	60,000	-
Total	2013	226,897	-	13,919	113,947	354,763	47%
	2012	181,354	-	10,440	-	191,794	-

³ Scott Rauschenberger is remunerated by TNG Ltd at a current annual salary of \$168,000 excluding superannuation. Mr Rauschenberger salary was recharged to Sturt Resources Ltd on a pro rata basis for services rendered, the shared services agreement with Sturt Resources Ltd ceased on 31 December 2012.

3. Shares and options granted as part of remuneration

Details of shares and options in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Issue	Grant date/ participant entitled	Number	Vesting conditions	Contractual life of option
1	Shares granted to Neil Biddle on 27 November 2012	2,000,000	1 years service	5.0 years
1	Shares granted to Geoffrey Crow on 27 November 2012	2,000,000	1 years service	5.0 years
1	Shares granted to Rex Turkington on 27 November 2012	2,000,000	1 years service	5.0 years
1	Shares granted to Scott Rauschenberger on 27 November 2012	1,000,000	1 years service	5.0 years
1	Shares granted to Simon Robertson on 27 November 2012	1,000,000	1 years service	5.0 years
2	Shares granted to Paul Burton on 27 November 2012	6,000,000	1 years service	5.0 years
3	Options granted to Zhigang Wang on 27 November 2012	2,000,000	1 years service	3.0 years
4	Options granted to Scott Rauschenberger on 2 August 2012	150,000	Nil	0.37 years

The fair value of equity share options granted is estimated at the grant dates using the Binomial model, taking into account the terms and conditions upon which the options are granted.

Directors' Report continued

REMUNERATION REPORT (CONTINUED)

Instruments issued during the period

a) **Shares and Loans issued under TNG Employee Share Plan and TNG Non-Executive and Consultant Share Plan**

19,275,000 shares were issued subject to the terms of the TNG share plans which were approved by shareholders on 21 November 2012 including 14,000,000 to key management personnel. The Plan Shares issued cannot be sold transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue.

TNG has issued limited Recourse Loans to the value of shares issued under the plan. The loans are repayable in full by the date which is 5 years after the date of issue of the Plan and are interest free. The loans are however, limited recourse, so if the Plan Shares are sold the proceeds will be taken to repay the loan even if the proceeds are less than the value of the loan.

In the event that vesting conditions are not satisfied, the participant must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share being the higher of the loan amount or sale proceeds from those shares.

The ability to exercise the plan shares is conditional upon the employee or consultant remaining employed or contracted to the company. If this performance hurdle is met the shares will be unencumbered after 12 months aiding with staff retention.

The following inputs were used in the measurement of the fair values at grant of the shares and loans:

	Issue 1	Issue 2
Dividend yield	0.00%	0.00%
Share price at date of grant	\$0.139	\$0.139
Exercise price	\$0.139	\$0.085
Volatility	85%	85%
Risk free rate	2.86%	2.86%
Expiration date	26 Nov 2017	26 Nov 2017
Binomial valuation	\$0.095	\$0.105

b) **Options issued under TNG Non-Executive and Consultant Option Plan**

3,000,000 options were issued for nil consideration subject to the terms of the TNG Non-Executive

and Consultant option Plan which was approved by shareholders on 21 November 2012 including 2,000,000 to key management personnel.

The ability to exercise the options is conditional upon the employee or consultant remaining employed or contracted to the company. If this performance hurdle is met the shares will be unencumbered after 12 months aiding with staff retention.

The following inputs were used in the measurement of the fair values at grant date of options:

	Issue 3
Dividend yield	0.00%
Share price at date of grant	\$0.139
Exercise price	\$0.235
Volatility	85%
Risk free rate	2.74%
Expiration date	26 Nov 2015
Binomial valuation	\$0.060

c) **Options issued under TNG Non-Executive and Consultant Option Plan**

1,800,000 options including 150,000 to key management personnel were issued subject to the terms of the TNGs' existing Share Option Plan. All 1,800,000 options expired unexercised on 15 December 2012.

The following inputs were used in the measurement of the fair values at grant date of options:

	Issue 4
Dividend yield	0.00%
Share price at date of grant	\$0.08
Exercise price	\$0.15
Volatility	85%
Risk free rate	2.86%
Expiration date	15 Dec 2012
Binomial valuation	\$0.003

In accordance with AASB2 'Share-based payments' the Group has charged the fair value of share-based payments to the income statement over the vesting period.

REMUNERATION REPORT (CONTINUED)

4. Exercise of options granted as compensation

During the period no options were exercised by key management personnel.

5. Analysis of options and rights over equity instruments granted as compensation

Details on shares and options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the period are as follows:

	Number of options granted during 2013	Number of shares granted during 2013	Grant date	Fair value per option at grant date (\$)	Exercise price per option(\$)	Expiry date	Number of options vested during 2013
Directors							
Paul Burton	-	6,000,000	26 Nov 2012	\$0.105	\$0.085	26 Nov 2017	-
Neil Biddle	-	2,000,000	26 Nov 2012	\$0.095	\$0.139	26 Nov 2017	-
Geoffrey Crow	-	2,000,000	26 Nov 2012	\$0.095	\$0.139	26 Nov 2017	-
Rex Turkington	-	2,000,000	26 Nov 2012	\$0.095	\$0.139	26 Nov 2017	-
Zhigang Wang	2,000,000	-	26 Nov 2012	\$0.060	\$0.235	26 Nov 2015	-
Executives							
Scott Rauschenberger	150,000	-	2 Aug 2012	\$0.003	\$0.150	15 Dec 2012	-
Scott Rauschenberger	-	1,000,000	26 Nov 2012	\$0.095	\$0.139	26 Nov 2017	-
Simon Robertson	-	1,000,000	26 Nov 2012	\$0.095	\$0.139	26 Nov 2017	-

All ordinary shares issued under the company's share plan during 2013 are entitled to one vote per share at shareholders' meetings.

All shares issued under the share purchase plan expire on the earlier of their expiry date or termination of the individuals employment. The ability to exercise the plan shares is conditional upon the employee or consultant remaining employed or contracted to the company. If these performance hurdles are met, the shares will be unencumbered after 12 months.

All options expire on the earlier of their expiry date or termination of the individual's employment. All options were granted during the financial year. No options have been granted since the end of the financial year.

Directors' Report continued

REMUNERATION REPORT (CONTINUED)

6. Analysis of movements in options

Details of vesting profiles of the shares and options granted as remuneration to each key management person of the Group are detailed below.

	Number of options granted during 2013	Number of shares granted during 2013	Grant date	% vested in year	% forfeited in year	Financial years in which grant vests	Expired
Directors							
Paul Burton	-	6,000,000	26 Nov 2012	-	-	26 Nov 2013	-
Neil Biddle	-	2,000,000	26 Nov 2012	-	-	26 Nov 2013	-
Geoffrey Crow	-	2,000,000	26 Nov 2012	-	-	26 Nov 2013	-
Rex Turkington	-	2,000,000	26 Nov 2012	-	-	26 Nov 2013	-
Zhigang Wang	2,000,000	-	26 Nov 2012	-	-	26 Nov 2013	-
Executives							
Scott Rauschenberger	150,000	-	2 Aug 2012	100%	-	2 Aug 2012	150,000
Scott Rauschenberger	-	1,000,000	26 Nov 2012	-	-	26 Nov 2013	-
Simon Robertson	-	1,000,000	26 Nov 2012	-	-	26 Nov 2013	-

The movement during the reporting period, by value, of shares and options over ordinary shares in the Company held by each key management person is detailed below.

	Granted in year \$ ^(A)	Value of options exercised in year \$	Lapsed in year \$	Number of options expired in the year ^(B)
Directors				
Paul Burton	630,000	-	-	6,000,000
Neil Biddle	190,000	-	-	2,000,000
Geoffrey Crow	190,000	-	-	2,000,000
Rex Turkington	190,000	-	-	2,000,000
Zhigang Wang	120,000	-	-	-
Executives				
Scott Rauschenberger	95,450	-	-	650,000
Simon Robertson	95,000	-	-	500,000

^(A) The value of share or options granted in the year is the fair value of the options calculated at grant date using the Black Scholes options-pricing model. The total value of the options granted is included in the table above. The amount is allocated to remuneration over the vesting periods.

^(B) The above share options expired unexercised at 15 December 2012, with a value of \$nil.

7. Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

The audited remuneration report ends here.

Directors' Report continued

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Group and other related body corporates, as notified by the Directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Ordinary Shares	Options over Ordinary Shares
Jianrong Xu	-	-
Paul Burton	7,083,333	166,666
Geoffrey Crow	2,870,538	166,666
Michael Evans	507,937	111,111
Rex Turkington	3,721,133	166,666
Zhigang Wang	59,808,643	2,000,000

Options granted to directors and officers of the company

During or since the end of the financial year the company did not grant any options to Directors or Executives other than those set out at section 5 of the remuneration Report.

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of options
26 November 2015	\$0.235	3,000,000

Shares issued on exercise of options

During or since the end of the financial year, the Company hasn't issued any ordinary shares as a result of the exercise of options.

LIKELY DEVELOPMENTS

The Group will continue to develop its Northern Territory exploration projects and manage its interest in the Cawse Extended project.

Additional comments on likely developments of the Group are included under the review of operations and activities and subsequent events of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has agreed to indemnify current and former Directors and officers against all liabilities to another person (other than the Group or a related body corporate), including legal expenses that may arise from their position as Directors and officers of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for a pecuniary penalty under section 1317G or a compensation order under section 1317H of the *Corporations Act 2001*.

INSURANCE PREMIUMS

During and since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$16,275 (2012: \$11,500) exclusive of GST.

ENVIRONMENTAL REGULATIONS

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulation with respect to the rehabilitation of areas disturbed during the course of its exploration activities. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

EVENTS SUBSEQUENT TO REPORTING DATE

SPP

On 2 July 2013 TNG announced that it was offering eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP). 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.

Directors' Report continued

EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

On 9 August 2013 TNG announced that its Share Purchase Plan (SPP) had closed raising \$1.2 million before costs. Any shares not subscribed for by eligible shareholders under the SPP will comprise the shortfall and may be offered to institutional and/or sophisticated investors as a separate placement, at the discretion of the Directors.

Davis Samuel case

On 1 August 2013 the Supreme Court of the Australian Capital Territory delivered judgment on the Davis Samuel case. 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 or the possibility an amount equal to their assessed value of \$1,274,000.

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.

Further submissions are listed to be heard on 6 November 2013 as to whether TNG has any liability to the Commonwealth and the extent of that liability if any.

Further submissions are also listed to be heard on 6 December 2013 as to the orders to be made in favour of the Commonwealth and TNG against the other defendants, including on TNG's cross claim. TNG has already been awarded damages to be assessed against the defendants to its cross claim.

Manbarrum Sale

On 26 August 2013 TNG announced that it has signed a binding Term Sheet with Legacy Iron Ore (ASX: LCY) to sell its 100%-owned Manbarrum Zinc-Lead-Silver Project in the Northern Territory to Legacy for \$5 million subject to conditions precedent.

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.

Research and Development Rebate

On 29 August 2013 TNG received a \$3,195,992 Research and Development rebate under the Federal Governments R&D tax incentive scheme.

NON AUDIT SERVICES

During 2013, KPMG, the Group's auditor was paid \$10,000 (2012: \$nil) for tax compliance and advisory services.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

AUDITOR INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 44 of the financial report and forms part of the Directors' report for the financial year ended 30 June 2013.

Signed in accordance with a resolution of the Directors.



Paul Burton
Managing Director

25 September 2013

Auditors Independence Declaration



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 audit for the financial year ended 30 June 2013 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Denise McComish
Partner

Perth

25 September 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	2013 \$	2012 \$
Other income	6(a)	5,366,578	825,175
Total income		5,366,578	825,175
Corporate and administration expenses	6(c)	(2,780,286)	(2,419,760)
Employment expenses	6(d)	(2,061,004)	(581,578)
Depreciation and amortisation expenses	6(e)	(99,650)	(65,096)
Impairment loss on exploration	15	-	(1,304,973)
Results from operating activities		425,638	(3,546,232)
Financial income		273,014	210,307
Financial expenses		-	(82,298)
Net financing income	6(b)	273,014	128,009
Profit/(loss) before income tax		698,652	(3,418,223)
Income tax expense	8	-	(12,137)
Net Profit/(Loss) for the year attributable to the owners of the Company		698,652	(3,430,360)
Other comprehensive income			
(iii) <i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the value of available for sale financial assets		(2,400)	(204,891)
Tax effect on other comprehensive income		-	12,137
Other comprehensive income for the year		(2,400)	(192,754)
Total comprehensive income for the year attributable to the owners of the company		696,252	(3,623,114)
Profit/(Loss) per share (cents per share)			
Basic earnings/(loss) per share (cents)	9	0.166	(1.078)
Diluted earnings/(loss) per share (cents)	9	0.166	(1.078)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	11	2,594,530	10,230,274
Trade and other receivables	12	3,650,382	353,818
Prepayments		123,441	88,523
Other investments	13	97,600	100,000
Total current assets		6,465,953	10,772,615
Non-current assets			
Plant and equipment	14	254,486	228,733
Exploration and evaluation expenditure	15	22,118,587	13,396,389
Total non-current assets		22,373,073	13,625,122
Total assets		28,839,026	24,397,737
Current liabilities			
Trade and other payables	16	2,209,131	1,206,554
Provisions	17	82,826	76,840
Total current liabilities		2,291,957	1,283,394
Total liabilities		2,291,957	1,283,394
Net assets		26,547,069	23,114,343
Equity			
Issued capital	18	41,857,594	40,434,578
Reserves		(2,400)	-
Accumulated losses		(15,308,125)	(17,320,235)
Total equity		26,547,069	23,114,343

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Cash payments in the course of operations		(3,762,217)	(2,702,586)
Interest received		307,602	173,405
Interest paid		-	(73,094)
Research and development rebate	6(a)	2,120,585	695,987
Net cash used in operating activities	23	(1,334,030)	(1,906,288)
Cash flows from investing activities			
Proceeds from sale of shares	13	-	330,129
Joint venture – Initial payment		50,000	-
Payments for investments	13	-	(100,000)
Payments for plant and equipment		(125,404)	(195,633)
Payment for tenements	15	(245,000)	-
Payments for exploration and evaluation expenditure		(7,364,122)	(4,405,847)
Security deposits paid		(40,204)	(1,775)
Net cash used in investing activities		(7,724,730)	(4,373,126)
Cash flows from financing activities			
Net proceeds from issue of shares and exercise of options	18(a)	1,423,016	13,299,301
Proceeds from loans and borrowings		-	2,000,000
Repayment of loans and borrowings		-	(2,000,000)
Net cash received from financing activities		1,423,016	13,299,301
Net increase in cash and cash equivalents		(7,635,744)	7,019,887
Cash at the beginning of the financial year		10,230,274	3,210,387
Cash and cash equivalents at the end of the financial year	11	2,594,530	10,230,274

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Issued Capital \$	Retained Earnings \$	Fair value reserve \$	Total \$
At 1 July 2011	27,135,277	(13,889,875)	192,754	13,438,156
Loss for the year	-	(3,430,360)	-	(3,430,360)
Other comprehensive income	-	-	(192,754)	(192,754)
Total comprehensive income	-	(3,430,360)	(192,754)	(3,623,114)
Transactions with owners recorded directly in equity				
Share placement	13,426,430	-	-	13,426,430
Share issue costs	(127,129)	-	-	(127,129)
At 30 June 2012	40,434,578	(17,320,235)	-	23,114,343
At 1 July 2012	40,434,578	(17,320,235)	-	23,114,343
Profit for the year	-	698,652	-	698,652
Other comprehensive income	-	-	(2,400)	(2,400)
Total comprehensive income	-	698,652	(2,400)	696,252
Transactions with owners recorded directly in equity				
Share placement	1,454,804	-	-	1,454,804
Share issue costs	(106,788)	-	-	(106,788)
Share based payments expense	-	1,313,458	-	1,313,458
Options exercised	75,000	-	-	75,000
At 30 June 2013	41,857,594	(15,308,125)	(2,400)	26,547,069

The amounts recognised directly in equity are disclosed net of tax.

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2012

1 REPORTING ENTITY

TNG Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 1, 282 Rokeby Road Subiaco, Western Australia 6008. The consolidated financial report of the Company as at and for the year ended 30 June 2013 comprises the Company and its subsidiaries (together referred to as the 'Group'). The Group is a for profit entity and primarily is involved in the exploration of minerals within Australia.

2 BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with *Australian Accounting Standards* (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial report of the Group also complies with International Financial Reporting Standards and Interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- share based payments are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of all entities in the Group.

(d) Use of estimates and judgements

Set out below is information about:

- Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and

- Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Critical Judgements

Estimates and assumptions

i. Exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties.

The Group undertakes at each reporting date, a review for indicators of impairment of these assets. Should an indicator of impairment exist, there is significant estimation and judgments in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review included:

- Recent drilling results and reserves/resource estimates;
- Environmental issues that may impact the underlying tenements;
- The estimated market value of assets at the review date;
- Independent valuations of underlying assets that may be available;
- Fundamental economic factors such as mineral prices, exchange rates and current and anticipated operating cost in the industry; and
- The group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information as appropriate.

Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(g), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss in accordance with accounting policy 3(h). The carrying amounts of exploration and evaluation assets are set out in note 15.

Notes to the Financial Statements continued

For the year ended 30 June 2012

2 BASIS OF PREPARATION (CONTINUED)

ii. Share based payments

The share based payments are recognised in accordance with the Company's accounting policy (refer note 3(i)(ii)) where the value of the share based payment is expensed from the grant date to vesting date. This valuation includes estimates and judgements about volatility, risk free rates, dividend yields, and underlying share price. Changes in these estimates and assumptions could impact on the measurement of share based payments.

(e) 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.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates, if not consumed or sold by the associate, when the Group's interest in such entities is disposed of.

(iii) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by each venture using its own assets in pursuit of the joint operations. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(b) Reclassification of financial information

Comparative amounts in the consolidated statement of comprehensive income have been reclassified to conform with the current year's presentation. Specifically, income resulting from the Research and Development tax offset claim has been classified as other income to reflect the nature of this item more appropriately. Comparative amounts have been reclassified for consistency, which resulted in \$695,987 being reclassified from income tax benefit to other income.

(c) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at statement of financial position date.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss. In respect of taxable temporary differences associated with investments in subsidiaries and associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. When the deductible temporary difference is associated with investments in subsidiaries and associates in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is TNG Limited.

The current and deferred tax amounts for the tax-consolidated group are allocated among the companies in the group using a group allocation approach whereby each company in the tax-consolidated group is allocated current and deferred taxes in a systematic manner which is consistent

with the broad principles of AASB 112, based on the underlying tax effect of transactions and balances within those companies.

In order to determine the allocation of current and deferred tax amounts allocated to the companies, each company prepares a tax calculation which includes the tax effect of inter-company transactions that are part of the group's normal business activities but excludes inter-company dividends and any capital gains arising on the intra group transfer of assets that would occur but for the parties being members of the tax consolidated group.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- (ii) Receivables and payables are stated with the amount of GST included;
- (iii) The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet;
- (iv) Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows; and
- (v) Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in note 3(m).

(iii) Subsequent costs

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of

such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	4 years
Plant and equipment	3 to 8 years
Fixtures and fittings	3 to 8 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(e) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Australian dollars at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(f) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade dates, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(l).

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h) and foreign exchange gains and losses on available-for-sale monetary items (see note 3(e)), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

Investments at fair value through profit and loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest method.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

(ii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

(g) Intangible assets

Exploration and evaluation assets

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

- a) The rights to tenure of the area of interest are current; and
- b) At least one of the following conditions is also met:
 - (i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; or
 - (ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, costs are expensed as incurred.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The company performs impairment testing in accordance with accounting policy 3(h)(iii).

(h) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised in profit and loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their

present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation of amortisation, if no impairment loss had been recognised.

(i) *Employee benefits*

(i) Share based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The loan funded share plan allows certain Group employees to acquire shares of the Company. Employees have been given a limited recourse 5 year interest free loan in which to acquire the shares. The loan has not been recognised in the statement of financial position as the Company only has recourse to the value of the shares. The arrangement is accounted for as an in-substance option over ordinary shares. The grant date fair value of the shares granted to employees is recognised as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the shares. The fair value of the loan funded shares granted are measured using the Black Scholes pricing model, taking into account the terms and conditions upon which the in-substance options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Short term benefit

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Defined contribution funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the profit or loss as incurred.

(j) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares, which comprise convertible notes and share options granted to employees.

(k) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(l) Income and Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the term of lease.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrued, using the effective interest method.

Finance expenses comprise interest expense on borrowings and loss on held for trading investments. All borrowing costs are recognised in profit or loss using the effective interest method.

(iv) Government grants

The Group recognises the refundable research and development tax incentive (received under the tax legislation passed in 2011) as a government grant. This incentive is refundable to the Group regardless of whether the Group is in a tax payable position and is presented as other income in profit or loss. Government grants are recognised when there is reasonable assurance that (a) the Group will comply with the conditions attaching to them; and (b) the grants will be received.

(m) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases which are not recognised on the Group's Statement of Financial Position.

(n) Segment reporting

Segment results that are reported to the Group's Managing Director (the chief operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group operated predominately in one business segment and in one geographical location in both current and previous years.

Notes to the Financial Statements continued

For the year ended 30 June 2012

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are available for early adoption for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for the following standards which become mandatory from 1 July 2013. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

- (a) AASB 10 **Consolidated Financial Statements** introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
- (b) AASB 11 **Joint Arrangements** requires classification of joint arrangements depending on whether the parties to the joint arrangement have rights to and obligations for underlying assets and liabilities. If the parties have the rights and obligations for underlying assets and liabilities, the joint arrangement is considered a joint operation and partial consolidation is applied. Otherwise, the joint arrangement is considered a joint venture and the parties must use equity method to account for their interest.
- (c) AASB 12 **Disclosure of Interests in Other Entities** contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.
- (d) AASB 119 **Employee Benefits** changes the definition of short-term and other long-term employee benefits and some disclosure requirements.

4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following

methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Equity investments

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

(ii) Other receivables, trade and other payables

Other receivables, trade and other payables are short term in nature. As a result, the fair value of these instruments is considered to approximate its fair value.

(iii) Share-based payment transactions

The fair value of employee options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5 FINANCIAL RISK MANAGEMENT

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

Notes to the Financial Statements continued

For the year ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and cash and cash equivalents. For the Company it also arises from receivables due from subsidiaries.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the statement of financial position date there were no significant concentrations of credit risk for the Group other than cash and the Research and Development receivable, received since year-end.

Cash and cash equivalent

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. The Group also has its term deposits spread between

a number of approved deposit taking institutions so the consolidated balance is covered under the Commonwealth governments Bank deposit Guarantee scheme.

Trade and other receivables

As the Group operates primarily in exploration activities it does not carry a material balance of trade receivables and therefore is not exposed to credit risk in relation to trade receivables. A Research and Development receivable contained in other receivables was received since year-end.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of loans to subsidiaries and investments. This is recorded in the Company and has no effect on the Group and as it eliminates on consolidation. The management does not expect any counterparty to fail to meet its obligations. Other receivables mainly comprise of GST receivables.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Consolidated Carrying amount	
		2013 \$	2012 \$
Trade and other receivables	12	3,650,382	353,818
Cash and cash equivalents	11	2,594,530	10,230,274
		6,244,912	10,584,092

None of the Group's trade and other receivables are past due (2012: nil). R&D receivable of \$3,195,993 received post year-end (refer to note 12)

Notes to the Financial Statements continued

For the year ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

30 June 2013	Note	Carrying amount	Contractual cash flows	<3 months
Trade and other payables	16	2,209,131	(2,209,131)	(2,209,131)
		2,209,131	(2,209,131)	(2,209,131)
30 June 2012	Note	Carrying amount	Contractual cash flows	<3 months
Trade and other payables	16	1,206,554	(1,206,554)	(1,206,554)
		1,206,554	(1,206,554)	(1,206,554)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is not exposed to currency risk and at statement of financial position date the Group holds no financial assets or liabilities which are exposed to foreign currency risk.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents and loans and borrowings), which is the risk that a financial instruments value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in high interest bearing accounts.

Notes to the Financial Statements continued

For the year ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	Consolidated Carrying amount	
		2013 \$	2012 \$
Variable rate instruments			
Cash and cash equivalents	11	594,530	2,230,274
Fixed rate instruments			
Cash and cash equivalents	11	2,000,000	8,000,000
Security deposits	12	179,336	139,132
		2,179,336	8,139,132

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased the Group's equity and profit or loss by \$5,945 (2012: \$22,302).

Other Market Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in listed equity instruments. Equity instruments are classified as available-for-sale and are carried at fair value with fair value changes recognised directly in equity until derecognised.

The following table details the breakdown of the investment assets and liabilities held by the Group:

30 June 2013	Note	Quoted market price (Level 1) \$	Valuation technique Market observable inputs (Level 2) \$	Valuation technique Non-market Observable inputs (Level 3) \$
Available for sale assets	13	97,600 ¹	-	-
Total equity investments		97,600	-	-

¹ Level 1 investments consist of listed Australian shares held in accordance with note 3f(i).

Notes to the Financial Statements continued

For the year ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

30 June 2012	Note	Quoted market price (Level 1) \$	Valuation technique Market observable inputs (Level 2) \$	Valuation technique Non-market Observable inputs (Level 3) \$
Available for sale assets	13	-	-	100,000
Total equity investments		-	-	100,000

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices (Level 1) or recorded at cost when no market exists (Level 3).

Investments in 2012 were held in an unlisted Australian company. In 2013, the Group received shares in listed Australian companies in lieu of those shares due to corporate transactions of the unlisted company. Accordingly these investments have been reclassified from level 3 to level 1.

Reconciliation of fair value movements	Level 1		Level 3	
	2013 \$	2012 \$	2013 \$	2012 \$
Opening balance	-	535,113	100,000	-
Other comprehensive income	-	(204,891)	-	-
Sales of investments	-	(330,129)	-	-
Purchase of investments	-	-	-	100,000
Transfers out of Level 3 to Level 1	100,000	-	(100,000)	-
Total gains and losses recognised in other comprehensive income	(2,400)	-	-	-
Financial expense	-	(93)	-	-
Closing balance	97,600	-	-	100,000
Total loss stated in the table above for assets held at the end of the period	(2,400)	(93)	-	-

Sensitivity analysis

The Group's available for sale equity investments are held in listed (2012: unlisted) Australian companies. The Group's exposure to equity price risk is not significant.

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

Notes to the Financial Statements continued

For the year ended 30 June 2012

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital Management

The Group has defined its capital as paid up share capital net of accumulated losses.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets or reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6 INCOME AND EXPENSES

	Consolidated	
	2013 \$	2012 \$
(a) Other income		
Research and development tax offset claim	5,316,578 ¹	695,987
Other income	50,000	129,188
Total Income	5,366,578	825,175
¹ \$3,195,993 relates to TNG's 2012/13 research and development tax offset (R&D) claim lodged on 18 July 2013 and received on 29 August 2013. The \$2,120,585 balance relates to TNG's 2011/12 R&D refund received on 30 November 2012.		
(b) Net financial income		
Interest income	273,014	201,196
Gain on sale of available for sale investments	-	9,111
Finance Income	273,014	210,307
Interest expense	-	(73,094)
Loss on Held for Trading investments	-	(9,204)
Finance expense	-	82,298
Net finance income	273,014	128,009

Notes to the Financial Statements continued

For the year ended 30 June 2012

6 INCOME AND EXPENSES (CONTINUED)

		Consolidated	
	Note	2013 \$	2012 \$
(c) Corporate and Administration expenses			
Travel and accommodation		366,306	356,088
Directors fees		300,000	199,385
Legal fees		449,461	303,769
Promotional		513,698	478,755
Office on-charges		(116,636)	(247,724)
Contractors and consultancy		474,098	613,115
Occupancy		298,488	265,128
Other		494,871	451,244
Total Corporate and Administration		2,780,286	2,419,760
The Group invoiced other parties \$116,636 (2012: \$247,724) for the reimbursement of office and administration costs during the year and incurred \$222,430 (2012: \$192,814) in operating lease expenses.			
(d) Employment expenses			
Wages and salaries ¹		671,227	511,162
Other associated personnel expenses		24,991	30,851
Contributions to defined contribution plans		51,328	39,565
Equity settled share- based payment transaction	24	1,313,458	-
Total Employment expenses		2,061,004	581,578
¹ Total Wages and Salaries expense incurred during the year including amounts capitalised to exploration and evaluation was \$1,691,051 (2012: \$1,114,494).			
(e) Depreciation and amortisation			
Depreciation of:			
Leasehold improvements	14	31,219	25,147
Plant and equipment	14	31,408	21,926
Software	14	12,170	8,624
Motor vehicles	14	19,913	4,564
Furniture and fixtures	14	4,940	4,835
Total depreciation		99,650	65,096

Notes to the Financial Statements continued

For the year ended 30 June 2012

7 AUDITORS' REMUNERATION

	Consolidated	
	2013 \$	2012 \$
Auditors of the Group		
<i>KPMG Australia:</i>		
Audit and review of financial reports	59,025	50,500
Tax compliance and advisory services	10,000	-
	69,025	50,500

8 INCOME TAX

	Consolidated	
	2013 \$	2012 \$
A reconciliation between tax expense and pre-tax loss:		
Accounting profit/(loss) before income tax	698,652	(3,418,223)
At the domestic tax rate of 30% (2012: 30%)	209,596	(1,025,467)
Reconciling items		
Share-based payments – non deductible for income tax purposes	394,037	-
Other non-deductible expenses	139,859	(99,157)
Tax losses and temporary differences not brought to account	611,044	1,345,557
Income non-assessable for income tax purposes – R&D rebate	(1,594,973)	(208,796)
Accounting expenditure subject to research and development claim	240,437	-
Income tax expense reported in the income statement	-	12,137
Unused tax losses	26,491,221	22,140,709
Potential tax benefit @ 30%	7,947,336	6,642,213
Tax losses offset against tax liabilities	(5,875,174)	(3,289,901)
Unrecognised tax benefit	2,072,192	3,352,312
Reconciliation of income tax expense		
Current tax expense	-	12,137
Other comprehensive income	-	12,137

Notes to the Financial Statements continued

For the year ended 30 June 2012

8 INCOME TAX (CONTINUED)

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits net of deferred tax liabilities attributable to tax losses (both consolidated and Parent Entity) have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefits of these tax losses will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

Deferred income tax

	Consolidated	
	2013 \$	2012 \$
Statement of financial position		
Deferred income tax relates to the following:		
<i>Deferred Tax Liabilities</i>		
Exploration and evaluation assets	5,922,043	3,305,383
Other	1,688	8,337
<i>Deferred Tax Assets</i>		
Other	(48,557)	(23,819)
Brought forward tax losses offset against deferred tax liabilities	(5,875,174)	(3,289,901)
	-	-

Tax Consolidation Legislation

TNG Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 3(c).

The entities have not entered into a tax funding agreement.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2013 was based on the profit attributable to ordinary shareholders of \$698,652 (2012: loss \$3,430,360) and a weighted average number of ordinary shares on issue during the year ended 30 June 2013 of 421,240,396 (2012: 318,320,648).

Loss attributable to ordinary shareholders

	2013 \$	2012 \$
Profit/(Loss) for the period	698,652	(3,430,360)
Profit/(Loss) attributable to ordinary shareholders	698,652	(3,430,360)

Notes to the Financial Statements continued

For the year ended 30 June 2012

9 EARNINGS PER SHARE (CONTINUED)

Weighted average number of ordinary shares

	2013 Numbers	2012 Numbers
Number of ordinary shares at 1 July	406,861,517	284,803,061
Effect of shares issued	14,350,112	33,517,587
Weighted average number of ordinary shares at 30 June	421,211,629	318,320,648

At balance date the Group has options which were not yet exercised as per note 18.

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is the same as the basic earnings per share.

10 SEGMENT INFORMATION

The Board has determined that the Group has one reportable segment, being mineral exploration in Australia. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted consolidated results. This internal reporting framework is the most relevant to assist the Board in making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

All of the Groups assets are located in one geographical segment being Australia.

11 CASH AND CASH EQUIVALENTS

	Consolidated	
	2013 \$	2012 \$
Cash	2,594,530	10,230,274

12 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013 \$	2012 \$
Current		
Trade receivables	8,871	29,861
Other receivables	3,202,308 ¹	42,039
Bank short term security deposits	179,336 ²	139,132
GST receivables	259,867	142,786
	3,650,382	353,818

¹ \$3,195,993 of trade debtors relates to TNG's 2012/13 research and development refund which was received on 29 August 2013.

² Bank short term deposits maturing between 30 - 60 days are paying interest at a weighted average interest rate of 3.21% (30-90 day deposits 2012: 5.21%).

Notes to the Financial Statements continued

For the year ended 30 June 2012

13 OTHER INVESTMENTS

		Consolidated	
		2013 \$	2012 \$
Current investments			
Available-for-sale investments		97,600	100,000
		97,600	100,000

Available-for-sale investments

Available-for-sale investments consist of shares in listed (2012: unlisted) Australian companies operating in mineral exploration.

		Consolidated	
		2013 \$	2012 \$
	Note		
Balance at 1 July		100,000	525,909
Change in fair value		(2,400)	(204,891)
Purchases		-	100,000
Sales		-	(330,129)
Profit on sale	6(b)	-	9,111
Balance at 30 June		97,600	100,000

Financial assets held for trading

		Consolidated	
		2013 \$	2012 \$
	Note		
Balance at 1 July		-	9,204
Change in fair value	6(b)	-	(9,204)
		-	-

14 PLANT & EQUIPMENT

		Consolidated	
		2013 \$	2012 \$
Cost			
Furniture and fittings			
Balance at 1 July		81,530	69,703
Additions		2,091	11,827
Balance at 30 June		83,621	81,530

Notes to the Financial Statements continued

For the year ended 30 June 2012

14 PLANT & EQUIPMENT (CONTINUED)

	Consolidated	
	2013 \$	2012 \$
Leasehold improvements		
Balance at 1 July	365,278	279,034
Additions	16,224	86,244
Balance at 30 June	381,502	365,278
Motor vehicles		
Balance at 1 July	57,677	-
Additions	31,229	57,677
Balance at 30 June	88,906	57,677
Plant and equipment		
Balance at 1 July	413,263	395,478
Additions	68,700	17,785
Balance at 30 June	481,963	413,263
Software		
Balance at 1 July	128,326	106,226
Additions	7,160	22,100
Balance at 30 June	135,486	128,326
<i>Accumulated Depreciation</i>		
Furniture and fittings		
Balance at 1 July	62,569	57,734
Depreciation charge for the year	4,940	4,835
Balance at 30 June	67,509	62,569
Leasehold improvements		
Balance at 1 July	276,206	251,059
Depreciation charge for the year	31,219	25,147
Balance at 30 June	307,425	276,206
Motor vehicles		
Balance at 1 July	4,564	-
Depreciation charge for the year	19,913	4,564
Balance at 30 June	24,477	4,564
Plant and equipment		
Balance at 1 July	362,818	340,892
Depreciation charge for the year	31,408	21,926
Balance at 30 June	394,226	362,818
Software		
Balance at 1 July	111,184	102,560
Depreciation charge for the year	12,170	8,624
Balance at 30 June	123,354	111,184

Notes to the Financial Statements continued

For the year ended 30 June 2012

14 PLANT & EQUIPMENT (CONTINUED)

		Consolidated	
		2013 \$	2012 \$
<i>Carrying amounts</i>			
Furniture and fittings			
At 1 July		18,961	11,969
At 30 June		16,111	18,961
Leasehold improvements			
At 1 July		89,072	27,975
At 30 June		74,077	89,072
Motor vehicles			
At 1 July		53,113	-
At 30 June		64,429	53,113
Plant and equipment			
At 1 July		50,445	54,862
At 30 June		87,737	50,445
Software			
At 1 July		17,142	3,666
At 30 June		12,132	17,142
Total		254,486	228,733

15 EXPLORATION AND EVALUATION EXPENDITURE

		Consolidated	
		2013 \$	2012 \$
Cost			
Balance at 1 July		13,396,389	10,401,797
Exploration expenditure		8,477,198	4,299,565
Purchase of tenements		245,000	-
Impairment		-	(1,304,973)
Balance at 30 June		22,118,587	13,396,389
Exploration expenditure capitalised during the year			
Drilling and exploration		4,785,399	1,461,593
Feasibility and evaluation		3,936,799	2,837,972
Total exploration expenditure		8,722,198	4,299,565

Notes to the Financial Statements continued

For the year ended 30 June 2012

15 EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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 \$22,118,587 of which \$5,310,356 is attributable to the entity's Manbarrum project, \$13,595,376 attributable to the Mount Peake project and the balance relating to Cawse Extended and other current exploration programs.

Manbarrum

Management reassessed the carrying value of its Manbarrum tenements during the year using the model previously prepared by independent consultants to value the tenements. The indicative value provided by the model was higher than the carrying value of the tenements. As a result management concluded that there was no need to impair the value of the Manbarrum tenements.

On 9 February 2011 TNG signed a Joint venture Agreement on the Manbarrum project with the Sorby Hills Joint Venture (SHJV). The SHJV is a Joint Venture between ASX listed Kimberley Metals Limited (ASX: KBL) and Yuguang (Australia) Pty Ltd.

Under the terms of the agreement the SHJV agreed to make an initial payment of \$500,000 which was received in 2011. During May 2013, KBL informed TNG that they had elected not to continue earning an interest in the Manbarrum tenements ending the joint venture arrangement. (Refer note 28 for additional information)

Cawse Extended

Norilsk Nickel Australia (Norilsk) has placed the Cawse Nickel operations (100% Norilsk) on indefinite care and maintenance which will delay any recommencement of mining operations at Cawse Extended.

16 TRADE AND OTHER PAYABLES

	Consolidated	
	2013 \$	2012 \$
Current		
Trade payables	727,114	732,512
Other	1,482,017	474,042
	2,209,131	1,206,554

17 PROVISIONS

	Consolidated	
	2013 \$	2012 \$
Employee provisions		
Current		
Balance at 1 July	76,840	108,520
Net provisions recognised/(used) during the year	5,986	(31,680)
Balance at 30 June	82,826	76,840

Notes to the Financial Statements continued

For the year ended 30 June 2012

18 CAPITAL

	Consolidated	
	2013 \$	2012 \$
Issued and paid-up share capital	41,857,594	40,434,578

(a) Movements in shares on issue

	2013		2012	
	Number	\$	Number	\$
Balance at the beginning of year	406,861,517	40,434,578	284,803,061	27,135,277
Share placement	20,784,911	1,454,804	122,058,456	13,426,430
Options exercised	500,000	75,000	-	-
Employee, director and consultant shares	19,275,000 ¹	-	-	-
Share issue costs	-	(106,788)	-	(127,129)
Balance at end of year	447,421,428	41,857,594	406,861,517	40,434,578

¹ 19,275,000 shares were issued for no consideration subject to the terms of the TNG share plans which were approved by shareholders on 21 November 2012.

Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends that may be declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds from liquidation.

Effective 1 July 1998, the *Company Law Review Act* abolished the concept of par value shares and authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

(b) Options on issue

Expiry Date	Exercise Price	Number at end of year	
		2013	2012
26 November 2015 (unlisted)	\$0.235	3,000,000	-
15 December 2012 (unlisted)	\$0.150	-	21,100,000

Please refer to note 24 for the details of options on issue.

Terms and conditions of options

Share options carry no rights to dividends and no voting rights.

Notes to the Financial Statements continued

For the year ended 30 June 2012

18 CAPITAL (CONTINUED)

(c) Dividends

No dividends were declared or paid during the 2013 financial year.

	Consolidated	
	2013 \$	2012 \$
Dividend franking account		
30% franking credits available to shareholders of TNG for subsequent financial years	1,008,568	1,008,568

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that the entity may be prevented from distributing in subsequent years.

19 COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

	Consolidated	
	2013 \$	2012 \$
Exploration commitments payable not provided for in the financial report:		
Within one year	1,097,000	3,178,250
Operating lease commitments		
Operating lease commitments comprise premises and office equipment and are payable as follows:		
Within one year	(iv) 209,519	202,341
Between one year and 5 years	(v) 406,199	594,872
	(vi) 615,718	797,214

The Group leases its corporate head office under an operating lease. The lease runs for 5 years with an option to renew the lease after that date. Lease payments are increased every year to reflect market rentals. The Group also has minor leases for storage facilities and office equipment.

Notes to the Financial Statements continued

For the year ended 30 June 2012

20 CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The 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.

	Consolidated	
	2013 \$	2012 \$
Guarantees		
A guarantee has been provided to support unconditional environmental performance bonds	106,870	137,357
Total estimated contingent liabilities	106,870	137,357

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 30 June 2013.

Constructive Trust Claim

Resolution of matters arising from 1998.

In the period September to December 1998 management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee Directors committed TNG to a series of transactions involving expenditure totalling \$1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its Directors which effectively provided for the repayment of the funds expended, and TNG would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing TNG from selling or otherwise disposing of them.

The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 Settlement Agreement. The Commonwealth is on notice that if TNG suffers damages as a result of the Commonwealth's injunction, and the Commonwealth ultimately fails to prove its constructive trust claim, TNG will claim the damages from the Commonwealth.

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark. TNG vigorously defended the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008. The court reserved its decision, which was handed down on 1 August 2013.

The decision handed down on 1 August 2013 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 Commonwealth¹, or an amount equal to their assessed value of \$1,274,000.

The Court also gave judgment for TNG on its counterclaim 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.

Notes to the Financial Statements continued

For the year ended 30 June 2012

20 CONTINGENT LIABILITIES (CONTINUED)

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the Commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal costs.

The above decision requires further hearings and determinations to take place before final orders are made. As a result any cost and counter claims cannot be reliably measured at this point in time.

Further submissions are listed to be heard on 6 November 2013 as to whether TNG has any liability to the Commonwealth and the extent of that liability if any.

Further submissions are also listed to be heard on 6 December 2013 as to the orders to be made in favour of the Commonwealth and TNG against the other defendants, including on TNG's cross claim. TNG has already been awarded damages to be assessed against the defendants to its cross claim.

¹ *The Kanowna Light securities in dispute were placed in escrow in prior years, as a result they no longer form part of TNGs balance sheet.*

Subscription agreement

On 7 November 2011, TNG signed the subscription agreement with the East China Mineral Exploration & Development Bureau (ECE), formalising the previously announced strategic partnership.

In summary, the Subscription Agreement provided that:

The Subscribers agreed to subscribe for and the Company agrees to issue 122,058,455 Shares as follows:

- (i) 62,249,812 Shares to Ao-Zhong; and
- (ii) 59,808,643 Shares to Aosu.

The Company also represents and warrants to the Subscribers that any liability which any court may order the Company to pay in respect of legal proceedings known as *The Commonwealth v TNG Limited* (Davis Samuel Claim) will not exceed a value of \$500,000.

If this representation and warranty is found to be incorrect (following the final determination of the Davis Samuel Claim after any avenues of appeal which any party to the Davis Samuel Claim elects to pursue have been exhausted), the Company will be liable to pay as liquidated damages to the Subscribers an amount that is the lesser of:

- (a) \$1,500,000; or
- (b) court ordered liability (including for damages and costs other than the Company's own legal costs incurred before the date of the Subscription Agreement) x 29.999%.

The Subscribers were unwilling to enter into the Subscription Agreement unless the Company included this clause to compensate the Subscribers (up to a cap of \$1,500,000) in respect of any liability incurred as a result of the Davis Samuel Claim (if the Company's liability exceeds \$500,000). Whilst the Company is anticipating it will continue to incur legal costs, as identified above, it is vigorously defending the claim. The Company does not anticipate that its liability (as defined in the Subscription Agreement) in respect of the Davis Samuel Claim will exceed \$500,000.

21 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from *the Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and Directors reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor, payment in full, in the event of winding up of any of the subsidiaries under certain provisions of *the Corporations Act 2001*. If a winding up occurs under other provisions of *the Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are Connaught Mining NL and Enigma Mining Limited. In accordance with the terms of the Class Order a consolidated statement of comprehensive income, and consolidated statement of financial position comprising the entities that are party to the Deed as set out below.

Notes to the Financial Statements continued

For the year ended 30 June 2012

21 DEED OF CROSS GUARANTEE (CONTINUED)

	Consolidated	
	2013 \$	2012 \$
Statement of Comprehensive Income and retained earnings		
<i>Profit/(loss) before income tax</i>	700,965	(3,433,703)
Share based payments	1,313,458	-
<i>Movement in retained earnings</i>	2,014,423	(3,433,703)
Retained earnings at beginning of year	(17,323,653)	(13,889,950)
<i>Retained earnings at end of year</i>	(15,309,230)	(17,323,653)
	Consolidated	
	2013 \$	2012 \$
Statement of Financial Position		
Cash assets	2,591,513	10,336,038
Trade and other receivables	3,619,382	212,965
Prepayments	14,879	88,523
Other investments	97,600	100,000
Total current assets	6,323,374	10,737,526
Plant and equipment	254,485	228,733
Intercompany loan	5,707,506	5,535,760
Exploration and evaluation expenditure	16,554,170	7,893,480
Total non-current assets	22,516,161	13,657,973
Total assets	28,839,535	24,395,499
Trade and other payables	2,210,745	1,207,734
Provision	82,826	76,840
Total current liabilities	2,293,571	1,284,574
Total liabilities	2,293,571	1,284,574
Net assets	26,545,964	23,110,925
Issued capital	41,857,594	40,434,578
Reserves	(2,400)	-
Retained earnings	(15,309,230)	(17,323,653)
Total equity	26,545,964	23,110,925

Notes to the Financial Statements continued

For the year ended 30 June 2012

22 CONSOLIDATED ENTITIES

Subsidiaries	Country of Incorporation	2013 % of Ownership	2012 % of Ownership
Connaught Mining NL	Australia	100	100
Enigma Mining Limited	Australia	100	100
Tennant Creek Gold (NT) Pty Ltd	Australia	100	100
Manbarrum Mining Pty Ltd	Australia	100	100
TNG Energy Pty Ltd ¹	Australia	100	100

¹ Direct subsidiary of Enigma Limited

23 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of cash flows from operating activities

	Consolidated	
	2013 \$	2012 \$
Net profit/(loss) for the period	698,652	(3,430,360)
Add/(less) non-cash items:		
Depreciation and amortisation	99,650	65,096
Share based payments	1,313,458	-
Gain/(loss) on Held for trading investments	-	9,204
Gain on Available for sale investments	-	(9,111)
Impairment of exploration costs	-	1,304,973
Tax effect on other comprehensive income	-	12,137
	2,111,760	(2,048,061)
Change in assets and liabilities:		
Change in current payables, borrowing and provisions	(271,594)	136,257
Change in current receivables	(3,174,197)	5,516
Net cash used in operating activities	(1,334,031)	(1,906,288)

24 EMPLOYEE BENEFITS

		Consolidated	
		2013 \$	2012 \$
Aggregate liability for employee benefits, including on-costs			
Current			
Employee benefits provision	17	82,826	76,840

Notes to the Financial Statements continued

For the year ended 30 June 2012

24 EMPLOYEE BENEFITS (CONTINUED)

Defined contribution superannuation funds

The Group made contributions to the employees nominated superannuation funds. The amount recognised as an expense was \$51,327 for the financial year ended 30 June 2013 (2012: \$39,565).

Share-based payments

During the year ended 30 June 2013 the following shares and options were issued:

Issue	Grant date/ participant entitled	Number	Vesting conditions	Contractual life of option
1	Shares granted to employees on 27 November 2012	4,275,000	1 years' service	5.0 years
1	Shares granted to consultants on 27 November 2012	3,000,000	1 years' service	5.0 years
1	Shares granted to directors on 27 November 2012	6,000,000	1 years' service	5.0 years
2	Shares granted to Managing director on 27 November 2012	6,000,000	1 years' service	5.0 years
3	Options granted to directors on 27 November 2012	2,000,000	1 years' service	3.0 years
3	Options granted to consultants on 27 November 2012	1,000,000	1 years' service	3.0 years
4	Options granted to employees on 2 August 2012	1,800,000	Nil	0.37 years

21,100,000 share options were on issued at 30 June 2012. These share options expired unexercised at 15 December 2012 except for 500,000 share options which were exercised during the period.

The fair value of equity share options granted is estimated at the grant dates using the Binomial model, taking into account the terms and conditions upon which the options are granted.

Instruments issued during the period

a) Shares and Loans issued under TNG Employee Share Plan and TNG Non-Executive and Consultant Share Plan

19,275,000 shares were issued subject to the terms of the TNG share plans which were approved by shareholders on 21 November 2012. The Plan Shares issued cannot be sold transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue.

TNG has issued limited Recourse Loans to the value of shares issued under the plans. The loans are repayable in full by the date which is 5 years after the date of issue of the Plan and are interest free. The loans are however, limited recourse, so if the Plan Shares are sold the proceeds will be taken to repay the loan even if the proceeds are less than the value of the loan.

Refer to share based payments note 3 (i)(i) for additional information.

In the event that vesting conditions are not satisfied, the participant must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share being the higher of the loan amount or sale proceeds from those shares.

The following inputs were used in the measurement of the fair values at grant of the shares and loans:

	Issue 1	Issue 2
Dividend yield	0.00%	0.00%
Share price at date of grant	\$0.139	\$0.139
Exercise price	\$0.139	\$0.085
Volatility	85%	85%
Risk free rate	2.86%	2.86%
Expiration date	26 Nov 2017	26 Nov 2017
Binomial valuation	\$0.095	\$0.105

b) Options issued under TNG Non-Executive and Consultant Option Plan

3,000,000 options were issued subject to the terms of the TNG Non-Executive and Consultant option Plan which was approved by shareholders on 21 November 2012.

Notes to the Financial Statements continued

For the year ended 30 June 2012

24 EMPLOYEE BENEFITS (CONTINUED)

The following inputs were used in the measurement of the fair values at grant date of options:

	Issue 3
Dividend yield	0.00%
Share price at date of grant	\$0.139
Exercise price	\$0.235
Volatility	85%
Risk free rate	2.74%
Expiration date	26 Nov 2015
Binomial valuation	\$0.060

c) Options issued under TNG Non-Executive and Consultant Option Plan

1,800,000 options were issued subject to the terms of the TNGs existing Share Option Plan on 2 August 2012. All 1,800,000 options expired unexercised on 15 December 2012.

The following inputs were used in the measurement of the fair values at grant date of options:

	Issue 4
Dividend yield	0.00%
Share price at date of grant	\$0.08
Exercise price	\$0.15
Volatility	85%
Risk free rate	2.86%
Expiration date	15 Dec 2012
Binomial valuation	\$0.003

In accordance with AASB2 'Share-based payments' the Group has charged the fair value of share-based payments to the income statement over the vesting period.

Employee expenses

	Note	Consolidated	
		2013 \$	2012 \$
Share options granted in 2013 equity settled		1,313,458	-
Total expense/(income) recognised as employee expenses	6(d)	1,313,458	-

The number and weighted average exercise prices of share options is as follows:

	Consolidated			
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2013	2013	2012	2012
Outstanding at 1 July	0.150	21,100,000	0.16	23,400,000
Expired during the period	0.150	(22,400,000)	0.33	(2,300,000)
Exercised during the year	0.150	(500,000)	-	-
Granted during the period	0.203	4,800,000	-	-
Outstanding during the period	0.235	3,000,000	0.15	21,100,000
Exercisable at 30 June	0.235	3,000,000	0.15	21,100,000

The options outstanding at 30 June 2013 have an exercise price of \$0.235 and a weighted average contractual life of 2.40 years.

Options granted to Directors are disclosed under Note 25.

Notes to the Financial Statements continued

For the year ended 30 June 2012

25 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

Directors	
Jianrong Xu	(Chairman)
Paul Burton	(Managing Director)
Neil Biddle ¹	(Non-Executive Director)
Geoffrey Crow	(Non-Executive Director)
Michael Evans ²	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
Zhigang Wang	(Non-Executive Director)
Executives	
Scott Rauschenberger	(Chief Financial Officer)
Simon Robertson	(Company Secretary)

¹ Neil Biddle resigned as a director on 31 May 2013

² Michael Evans was appointed as director on 31 May 2013

(b) Compensation of key management personnel

Compensation by category

	Consolidated	
	2013 \$	2012 \$
Key Management Personnel		
Short-term	995,995	957,589
Post-employment	47,586	43,113
Termination benefits	-	300,000 ¹
Share-based payments	978,850	-
	2,022,431	1,300,702

¹ On 28 June 2012 the board resolved to terminate Mr Biddle's service agreement crystallising a payment of 12 months fees in lieu (\$300,000).

Information regarding individual Directors and executives compensation and some equity disclosure as permitted by Corporations Regulation 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors Report.

Notes to the Financial Statements continued

For the year ended 30 June 2012

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity instruments

All options refer to options over ordinary shares of TNG, which are exercisable on a one for one basis as approved by shareholders.

Options and rights over equity instruments

During the reporting period, the following options over ordinary shares were granted to Directors and executives and approved by shareholders.

The ability to exercise the plan shares is conditional upon the employee or consultant remaining employed or contracted to the company. If this performance hurdle is met the shares will be unencumbered after 12 months.

The movement during the reporting period in the number of options over ordinary shares in TNG held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities, is as follows:

Movements in Options

	Held at 1 July 2012	Granted as remun- eration	Expired	Exercised	Other	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors								
Jianrong Xu	-	-	-	-	-	-	-	-
Paul Burton	6,000,000	-	(6,000,000)	-	-	-	-	-
Neil Biddle ¹	2,000,000	-	(2,000,000)	-	-	-	-	-
Geoffrey Crow	4,000,000	-	(4,000,000)	-	-	-	-	-
Michael Evans ²	-	-	-	-	-	-	-	-
Rex Turkington	-	-	-	-	-	-	-	-
Zhigang Wang	-	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000
Executives								
Scott Rauschenberger	500,000	150,000	(650,000)	-	-	-	-	-
Simon Robertson	500,000	-	-	-	-	-	-	-

¹ Neil Biddle resigned as a director on 31 May 2013

² Michael Evans was appointed as a director on 31 May 2013

Notes to the Financial Statements continued

For the year ended 30 June 2012

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	Held at 1 July 2011	Granted as remun- eration	Expired	Exercised	Other	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors								
Jianrong Xu	-	-	-	-	-	-	-	-
Paul Burton	7,500,000	-	(1,500,000)	-	-	6,000,000	-	6,000,000
Neil Biddle	2,000,000	-	-	-	-	2,000,000	-	2,000,000
Geoffrey Crow	4,000,000	-	-	-	-	4,000,000	-	4,000,000
Rex Turkington	-	-	-	-	-	-	-	-
Zhigang Wang	-	-	-	-	-	-	-	-
Executives								
Scott Rauschenberger	500,000	-	-	-	-	500,000	-	500,000
Simon Robertson	1,000,000	-	(500,000)	-	-	500,000	-	500,000

No amounts remain unpaid on the options exercised during the financial year at year end.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of TNG held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 July 2012	Purchases	Received on exercise of options	Sales	Other ³	Held at 30 June 2013
Directors						
Jianrong Xu	-	-	-	-	-	-
Paul Burton	750,000	-	-	-	6,000,000	6,750,000
Neil Biddle ¹	6,633,340	-	-	-	n/a	n/a
Geoffrey Crow	537,205	-	-	-	2,000,000	2,537,205
Michael Evans ²	-	285,715	-	-	-	285,715
Rex Turkington	1,288,000	-	-	-	2,000,000	3,388,000
Zhigang Wang	59,808,643	-	-	-	-	59,808,643
Executives						
Scott L Rauschenberger	400,000	-	-	-	1,000,000	1,400,000
Simon Robertson	-	-	-	-	1,000,000	1,000,000

¹ Neil Biddle resigned as a director on 31 May 2013; he received 2,000,000 director shares in accordance with the terms of TNGs share plan during the year.

² Michael Evans was appointed as a director on 31 May 2013

³ Details provided in the Remuneration Report section of the Directors

Refer to share based payments note 3 (i)(i) for additional information.

Notes to the Financial Statements continued

For the year ended 30 June 2012

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	Held at 1 July 2011	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2012
Directors						
Jianrong Xu ¹	-	-	-	-	-	-
Paul Burton	750,000	-	-	-	-	750,000
Neil Biddle	6,633,340	-	-	-	-	6,633,340
Geoffrey Crow	537,205	-	-	-	-	537,205
Rex Turkington ²	-	-	-	-	1,388,000 ²	1,288,000
Zhigang Wang ³	-	-	-	-	59,808,643 ³	59,808,643
Executives						
Scott L Rauschenberger	400,000	-	-	-	-	400,000

¹ Jianrong Xu joined the board as a director on 24 May 2012 and was appointed chairman on 26 June 2012.

² Rex Turkington was appointed as a director on 29 November 2011, balance relates to shareholding at date of appointment.

³ Zhigang Wang was appointed as a director on 18 January 2012, balance relates to shareholding at date of appointment.

(d) Other transactions with key management personnel

A number of key management personnel, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. Their terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

In 2013, consulting fees were paid to Hatched Creek Pty Ltd and Katarina Corporation Pty Ltd of which Neil Biddle and Rex Turkington are related parties of respectively. Details of the arrangements are disclosed within the directors remuneration report.

	Transaction value twelve months ended		Balance outstanding	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Expenses				
Ballyhoo Pty Ltd – consulting services	-	21,089	-	-
Hatched Creek Pty Ltd – consulting services	82,822	480,000	-	322,000
Hannan Street Corporate Charters	-	1,500	-	-
Katarina Corporation Pty Ltd – consulting services	27,135	50,004	-	21,184
Aosu Investment and Development Co Pty - interest	-	73,087	-	-

Notes to the Financial Statements continued

For the year ended 30 June 2012

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

	Transaction value twelve months ended		Balance outstanding	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Loans and borrowings				
Aosu Investment and Development Co Pty - loan	-	(2,000,000)	-	-
Aosu Investment and Development Co Pty - loan repayment	-	2,000,000	-	-

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

26 INTEREST IN JOINT VENTURE OPERATIONS

Joint venture operations

Joint venture party	Joint venture	Principal activities	Consolidated			
			Interest		Exploration expenditure	
			2013 %	2012 %	2012 \$	2011 \$
Norilsk Nickel Cawse Ltd	Cawse Extended	Nickel/Cobalt	20.00	20.00	-	-
Other interests in operations						
La Mancha Pty Ltd	Kintore East	Gold	N/A – 2% Gold return interest	N/A – 2% Gold return interest	-	-
Crucible	McTavish	Gold	-	N/A - 3% Gross royalty	-	-

Exploration expenditure represents direct expenditure incurred by the Group.

TNG Limited has separate Joint Venture agreements with both Western Desert Resources Ltd (WDR) and the Sorby Hills Joint Venture (SHJV) with respect to its non-core mineral exploration projects in the Northern Territory. Formal joint ventures will be formed between TNG and these parties upon completion of successful earn-ins.

Sorby Hills Joint Venture (SHJV)

On 9 February 2011 TNG signed a Joint venture Agreement on the Manbarrum project with the Sorby Hills Joint Venture (SHJV). The SHJV is a Joint Venture between ASX listed Kimberley Metals Limited (ASX: KBL) and Yuguang (Australia) Pty Ltd.

Under the terms of the agreement the SHJV was to spend \$4,500,000 to earn a 51% interest in the project. TNG was to receive a cash payment of \$2,500,000, comprising an initial payment of \$500,000 received in 2011 and a final payment of \$2,000,000 due by December 2013. In addition, the SHJV was to spend a further \$2,000,000 on exploration at Manbarrum over three field seasons. The final payment of \$2,000,000 was contingent upon SHJV electing to participate in the Joint Venture.

During May 2013, KBL elected not to continue earning an interest in the Manbarrum tenements. (Refer note 28 for additional information)

Notes to the Financial Statements continued

For the year ended 30 June 2012

27 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2013 the parent entity of the Group was TNG Ltd.

	2013 \$	2012 \$
Current assets	6,160,007	10,523,128
Total assets	28,627,997	25,329,137
Current liabilities	777,069	931,146
Total liabilities	777,069	931,146
Issued capital	41,857,594	40,434,578
Retained earnings	(14,857,594)	(16,036,587)
Fair value reserve	(2,400)	-
Total shareholders' equity	27,850,928	24,397,991
Profit or loss of the parent entity	698,652	(3,430,360)
Total comprehensive income of the parent entity	696,252	(3,623,114)

Tax consolidation

TNG and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 1 July 2003. TNG is the head entity of the tax consolidated group. Members of the group have not entered into a tax sharing agreement.

The parent entity has entered into a Deed of Cross Guarantee with its subsidiaries. Refer note 21 for details.

Operating lease commitments

	2013 \$	2012 \$
Operating lease commitments are payable as follows:		
Within one year	209,519	202,341
Between one year and 5 years	406,199	594,872
	615,718	797,213

For contingent liabilities in relation to the parent entity, please refer to note 20.

Notes to the Financial Statements continued

For the year ended 30 June 2012

28 EVENTS SUBSEQUENT TO BALANCE DATE

SPP

On 2 July 2013 TNG announced that it was offering eligible shareholders the opportunity to participate in a Share Purchase Plan (SPP). 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.

On 9 August 2013 TNG announced that its Share Purchase Plan (SPP) had closed raising \$1.2 million before costs. Any shares not subscribed for by eligible shareholders under the SPP will comprise the shortfall and will be offered to institutional and/or sophisticated investors as a separate placement, at the discretion of the Directors.

Davis Samuel case

On 1 August 2013 the Supreme Court of the Australian Capital Territory delivered judgment on the Davis Samuel case. 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, or the possibility of an amount equal to their assessed value of \$1,274,000.

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.

Further submissions are listed to be heard on 6 November 2013 as to whether TNG has any liability to the Commonwealth and the extent of that liability if any.

Further submissions are also listed to be heard on 6 December 2013 as to the orders to be made in favour of the Commonwealth and TNG against the other defendants, including on TNG's cross claim. TNG has already been awarded damages to be assessed against the defendants to its cross claim.

Manbarrum Sale

On 26 August 2013 TNG announced that it has signed a binding Term Sheet with Legacy Iron Ore (ASX: LCY) to sell its 100%-owned Manbarrum Zinc-Lead-Silver Project in the Northern Territory to Legacy for \$5 million subject to condition precedent.

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.

Research and Development Rebate

On 29 August 2013 TNG received a \$3,195,992 Research and Development rebate under the Federal Governments R&D tax incentive scheme.

Directors Declaration

- 1 In the opinion of the directors of TNG Limited (the "Company"):
 - (a) the financial statements and notes, and the Remuneration report in the Director's report, set out on pages 32 to 41, are in accordance with *the Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance, for the financial year ended on that date; and
 - (ii) complying with *Accounting Standards and Corporation Regulations 2001*, and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the group entities identified in note 21 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of *the Corporations Act 2001* from the Chief Executive Officer (or equivalent) and Chief Financial Officer for the financial year ended 30 June 2013
- 4 The directors draw attention to note 2(a) of the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with the resolution of the directors:



Paul Burton
Managing Director

Dated at Perth 25 September 2013

Independent Audit Report



Independent auditor's report to the members of TNG Limited

Report on the financial report

We have audited the accompanying financial report of TNG Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Audit Report continued



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of TNG Limited for the year ended 30 June 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Denise McComish
Partner

Perth

25 September 2013

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 24 September 2013)

Substantial shareholders

Substantial holders in the Company are set out below:

Shareholder	Number
AO-ZHONG INTERNATIONAL MINERAL RESOURCES PTY LTD	62,249,812
AOSU INVESTMENT AND DEVELOPMENT CO PTY LTD	59,808,643
MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN	31,460,000

Class of shares and voting rights

- (a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

On-market buy-back

There is no current on-market buy-back.

Distribution of equity securities as at 31 August 2013

Category	Number of equity security holders		
	Ordinary Shares	Listed Shares	Unlisted Shares
1 – 1,000	132	1	-
1,001 – 5,000	371	1	-
5,001 – 10,000	380	0	-
10,001 – 100,000	1,131	152	-
100,001 and over	568	59	2
	2,582	213	2

The number of shareholders holding less than a marketable parcel is 891.

Unlisted Options

Unlisted options exercisable @ \$0.235 expiring 26 November 2015

Total on issue	3,000,000
Number of holders	2
Holder with 20% or more:	
Wang Zhigang	2,000,000
Helen Yang	1,000,000

ASX Additional Information continued

Restricted securities

During the year 19,275,000 shares were issued pursuant to the Company's loan funded share plans. In accordance with the terms and conditions of the offers made a "Holding lock" has been placed on the shares for a period of 1 year from the date of issue being 12/11/2012 (10,275,000 shares) and 11/12/2012 (9,000,000 shares) until certain restrictions are satisfied (unless waived by the board). Further details of the plans are set out in the notice of meeting for the 2012 Annual General Meeting.

Twenty largest shareholders as at 24 September 2013

Rank	Name	Units	% of Units
1.	AO-ZHONG INTERNATIONAL MINERAL	62,249,812	13.15%
2.	AOSU INVESTMENT AND	59,808,643	12.63%
3.	MR WARREN WILLIAM BROWN &	31,460,000	6.65%
4.	JP MORGAN NOMINEES AUSTRALIA	9,479,985	2.00%
5.	PAUL BURTON	7,083,333	1.50%
6.	TEAS NOMINEES PTY LTD	5,465,887	1.15%
7.	MR ADAM FURST	4,798,333	1.01%
8.	CENTRE CORPORATION PTY LIMITED	3,971,695	0.84%
9.	REXTURKINGTON	3,721,133	0.79%
10.	TOP CLASS HOLDINGS PTY LTD	3,450,000	0.73%
11.	MRS MEGAN BROUWER	3,012,594	0.64%
12.	WANSBONE NOMINEES PTY LTD	3,000,500	0.63%
13.	STUART CROW	2,870,538	0.61%
14.	BONOS PTY LTD	2,784,333	0.59%
15.	MR BENJAMIN SLOAN BUTCHER	2,598,636	0.55%
16.	ASHTON DRILLING SERVICES PTY	2,500,000	0.53%
17.	2M RESOURCES PTY LTD	2,338,333	0.49%
18.	MR GEOFFREY LLOYD MOYLE	2,251,222	0.48%
19.	MINERAL ENGINEERING TECH	2,060,566	0.44%
20.	DR RICHARD GORDON MIDFORD	2,046,557	0.43%
Totals: Top 20 holders of FULLY PAID SHARES (GROUPED)		216,952,100	45.83%
Total Remaining Holders Balance		256,424,821	54.17%

ASX Additional Information continued

Twenty largest option holders as at 24 September 2013

Rank	Name	Units	% of Units
1.	MR ADAM FURST	684,437	5.27
2.	MR KEVIN EDWARD DEEVES + MRS PAULINE MARY DEEVES	500,000	3.85
3.	MR KEVIN EDWARD DEEVES	400,000	3.08
4.	MR BERNARD EGAN	200,000	1.54
5.	2M RESOURCES PTY LTD	166,666	1.28
6.	MRS KAREN ELIZABETH AMOS	166,666	1.28
7.	BITTERN INVESTMENTS PTY	166,666	1.28
8.	BONOS PTY LTD	166,666	1.28
9.	BONTUR INVESTMENTS PTY LTD <BB SUPER FUND A/C>	166,666	1.28
10.	MR VOJISLAV BOROVAC + MRS LJUBICA NADA	166,666	1.28
11.	MR BENJAMIN SLOAN BUTCHER	166,666	1.28
12.	MS JOY CHRISTINE BUTCHER	166,666	1.28
13.	MR TOD CHARLES BUTCHER	166,666	1.28
14.	MISS CANDICE SUE CHAPMAN	166,666	1.28
15.	MR GEOFFREY STUART CROW	166,666	1.28
16.	DMT INVESTMENTS PTY LTD <THACKRAY FAMILY S/F A/C>	166,666	1.28
17.	MS CHRISTINE PETRA GABEL	166,666	1.28
18.	GG & DT SUPER PTY	166,666	1.28
19.	MR ROSS HALLIDAY + MRS FIONA	166,666	1.28
20.	JPHR FT PTY LTD <JONATHAN ROGERS FAMILY A/C>	166,666	1.28
Totals: Top 20 holders of LISTED OPTIONS EXPIRING ON 31/07/2015 @ \$0.08		4,451,093	34.30
Total Remaining Holders Balance		8,526,618	65.70

ASX Additional Information continued

The Group holds an interest in the following tenements or tenement applications:

Project	Tenements	Equity
Mount Peake	L27069, EL27070, , EL27787, EL27941, EL28941, EL29578, ELR29627, ELA29867, MLA28341, MLA29855, MLA29856	100%
McArthur River	EL27711, EL28503	100%
Melville Island	ELA28617	100% (Farm in agreement)
Croker Island	ELA29164	100%
East Arnhem Land	EL28218, EL28219	100%
Mount Hardy	EL27892, ELA29219 EL 28694	100%
Manbarrum JV	A24518, A26581, EL24395, EL25646, EL25470, E80/3772, E80/3816	100%
Sandover	EL29252, EL29253, EL29254	100%
Walabanba Hills	EL26848, EL27115, EL27876	100% (Farm in agreement)
Warramunga/Rover JV	EL24471, EL25581, ELA25582, ELA25587, MLC647	100% (Farm in agreement)
Peterman Ranges	ELA26383, ELA25564, ELA26384, ELA25562, ELA26382	100% (Farm in agreement)
Goddard's	ELA24260	100% (Farm in agreement)
Cawse Extended	M24/547, M24/548, M24/549, M24/550	20% free carried to production, or can be converted to a 2% net smelter return on ore mined. Unicorn Pit is now excised and a wet tonne royalty applies.
Kintore East	P16/2370, P16/2371, P16/2372, P16/2373, P16/2374, P16/2459	Diluting from 49% to 2% gold return interest on production. Current percentage interest is 23.75%.
McTavish	M40/77, M40/119, M40/157, P40/1193, P40/1194	3% gross royalty (third party retains a 25% interest in TNG's interest)

Legend

- A: Authorisation (equivalent or Exploration Licence)
- E: Exploration Licence (W.A)
- EL: Exploration Licence (N.T)
- ELA: Exploration Licence Application
- M: Mining Lease (W.A)
- MLC: Mineral Lease Central (N.T)
- MLA: Mineral Lease Application (N.T)
- P: Prospecting Licence (W.A)

ASX Additional Information continued

MINERAL RESOURCES

As at 30 June 2013 the company has reviewed its Mineral resources and notes the following change:

In March 2013 the Company upgraded the Mineral Resource estimate at its Mount Peake Project as follows

Previous Resource estimate (Prepared under JORC 2004 Code)

Year	Project	Category	Tonnes	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
2011/12	Mount Peake	Indicated	112	0.29	5.3	23	8.1	34
2011/12	Mount Peake	Inferred	48	0.24	4.5	21	8.8	35
2011/12	Mount Peake	Total	160	0.27	5	22	8.3	34

New Updated Resource estimate (Prepared under JORC 2012 Code)

Year	Project	Category	Tonnes	V ₂ O ₅ %	TiO ₂ %	Fe%	Al ₂ O ₃ %	SiO ₂ %
2012/13	Mount Peake	Measured	118	0.29	5.5	24	8.2	33
2012/13	Mount Peake	Indicated	20	0.28	5.3	22	9.1	34
2012/13	Mount Peake	Inferred	22	0.22	4.4	19	10	38
2012/13	Mount Peake	Total	160	0.28	5.3	23	8.6	34

The Company engaged independent consultants ,Snowden Mining Industry Consultants Pty Ltd, to prepare both Resource estimates. In the course of doing so, Snowden has:

- Incorporate additional drillhole data in the existing database and completed basic data validation.
- Reviewed TNG's assay and QAQC data.
- Generated electronic models that represent the interpreted geology, mineralisation and oxidation profiles, based on drilling and geological information supplied by TNG.
- Complete statistical analysis and variography for economic elements.
- Estimated grades of economic elements using ordinary kriging and completed model validity checks.
- Classified the Mineral Resource estimate in accordance with the JORC Code (JORC, 2012 and 2004), as applicable.
- Reported the estimate and compiled of supporting documentation in accordance with JORC Code guidelines.

