

ASX ANNOUNCEMENT

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PROJECTS

Mount Peake: Fe-V-Ti
Black Range Iron
Manbarrum: Zn-Pb-Ag
EastRover: Cu-Au
McArthur: Cu-Zn-Pb-Ag
Mount Hardy Cu-Au-Zn-Pb
Sandover Cu-Au
Walabanba Fe-V-Ti-Cu-Au

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OFFSHORE OPTION FOR MOUNT PEAKE PROCESSING PLANT BOOSTS PROJECT

Technical review highlights significant boost to project economics

HIGHLIGHTS

- Technical review completed to assess the merits of locating the TIVAN® downstream processing plant for Mount Peake concentrates in Malaysia.
- The review, carried out at AUD1:USD1 exchange rate demonstrates an enhancement to the current view of the pre-tax financial outcomes outlined in the July 2012 Mount Peake Pre-Feasibility Study, and updated in the February 2013 Technical Review, including:
 - a reduction in capital costs of A\$43 million AUD
 - a reduction in operating cost of A\$2 per tonne
 - an increase in net annual cash flow from A\$395 million to A\$420 million;
 - an increase in Net Present Value (NPV_{8%}) from A\$2.6 billion to A\$2.8 billion; and
 - an increase in pre-tax IRR from 38% to 43%.
- Projected financial outcomes are further enhanced by the the effect of the falling AUD exchange rate. At an exchange rate of AUD 0.9 : USD1 results showed :
 - an increase in pre-tax life-of-mine revenues from A\$13.6 billion to A\$15.6 billion;
 - an increase in pre-tax net annual cash flow to A\$496 million
 - an increase in pre-tax Net Present Value (NPV_{8%}) to A\$3.398 billion; and
 - an increase in pre-tax IRR to 46%.
- International consulting firm ENVIRON engaged to act as advisor for the Mount Peake project in Malaysia.
- Mount Peake Definitive Feasibility Study progressing.

Australian resources company TNG Limited (ASX: TNG) advises that as part of the ongoing Definitive Feasibility Study for its flagship **Mount Peake Vanadium-Titanium-Iron Project** in the Northern Territory (DFS), an independent review has been conducted to assess the potential to locate the downstream TIVAN® hydrometallurgical processing plant in Malaysia.

TNG requested that Snowden Mining Industry Consultants Pty Ltd (Snowden) conduct a review of the July 2012 Mount Peake Pre-Feasibility

Study (PFS) (Snowden Review) to consider the effect on the financial results if the TIVAN[®] plant were located offshore.

TNG advises that the Snowden Review modifies the PFS, which was based on a Mineral Resource estimate reported under the then current guidelines of the 2004 JORC Code. TNG's subsequent Mineral Resource estimate, which was released to the market on 18 March 2013, was reported under the 2012 JORC Code guidelines and this estimate is the subject of the DFS. A financial estimate for this updated estimate is not available yet, as the DFS is ongoing. As such, the Snowden Review is based on the Mineral Resource estimate of 12 October 2011.

Malaysia was selected as a suitable location for the plant (for the purposes of the Snowden review), as it has a number of demonstrated advantages for chemical-type processes such as TIVAN[®] including direct access and proximity to deep water ports; availability of cost effective power, water and acid; and the availability of land in an area that is environmentally zoned for such processing plants. This would provide a suitable alternative if an integrated mine and processing facility was not achievable on site at Mount Peake.

TIVAN[®] is TNG's proprietary hydrometallurgical process for the treatment of magnetite-hosted vanadium ores which is in the final stages of commercialisation. The process confers a number of significant advantages on the project including potential lower capital and operating costs compared with conventional pyrometallurgical process routes for vanadium ores.

Review and comparison:

The Pre-Feasibility assumptions for the PFS financial model (see TNG's ASX release dated 9 July 2012), and the updates to this (see ASX release 6 February 2013 and 20 September 2013), were based on the Mineral Resource estimate of 12 October 2011, and assume mining of 75.9 Mt of the October 2011 Resource. Of this mining inventory, some 15.5 Mt is from the Inferred Mineral Resource with the balance being from the Indicated category. 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 Snowden Review uses the 2012 PFS assumptions and 2011 Mineral Resource, classified in accordance with the 2004 edition of the JORC Code. Full details are available in TNG's ASX Announcements dated 9 July 2012, 6 February 2013 and 20 September 2013.

A summary of the assumptions upon which the PFS was based, together with information regarding changes made to these assumptions pursuant to the Snowden review are noted below and shown in Appendix 1.

Mount Peake Mine Site:

At the Mount Peake mine site the following operations are assumed for the purposes of the Snowden Review:

- Mining, beneficiation to produce a magnetite concentrate;
- Magnetite concentrate railed to Darwin Port; and
- Magnetite concentrate shipped to Malaysian port (East coast).

Offshore / Malaysian Processing Site:

At Malaysia, the following is assumed for the purposes of the Snowden Review:

- TIVAN[®] process plant constructed and established to produce high purity V₂O₅, TiO₂ and Fe₂O₃ mineral commodities.

Financial Results

Following completion of the Snowden Review, the updated financial model for the Mount Peake PFS with a Malaysian option (M op) showed that:

- total capital costs (CAPEX) are reduced by A\$43 million
- total transport cost per product increased from A\$57 to A\$66
- total operating cost (OPEX) per tonne reduced from A\$76 to A\$74
- net annual cash flow increased from A\$395 million to A\$420 million
- pre-tax Net Present Value (NPV_{8%}) increased from A\$2.6 billion to A\$2.8 billion; and
- pre-tax IRR increased from 38% to 43%.

Life of Mine (LOM) revenues of A\$13.6 billion remained the same as assumptions of product sales and pricing were not changed.

The review also considered the effect of the falling AUD exchange rate and second a comparison was completed at an exchange rate of USD1: AUD 0.9

This gave results of:

- an increase in pre-tax LOM revenues from A\$13.6 billion to A\$15.6 billion;
- an increase in pre-tax net annual cash flow to A\$496 million
- an increase in pre-tax Net Present Value (NPV_{8%}) to A\$3.398 billion; and
- an increase in pre-tax IRR to 46%.

These results enhance the current view of the financial strength of the proposed Mount Peake mining operation and provide strong momentum for TNG's board to progress the evaluation of a Malaysian-based processing plant as part of the DFS.

In addition, the Malaysian Government may provide certain incentives to attract chemical processes to the region, such as potential for multi-year tax free allowances and cost-effective power and water agreements. These potential incentives have not been factored into this financial model.

Future Plans:

Based on the strength of the financial outcomes provided by the Snowden Review, TNG has engaged leading environmental consultancy ENVIRON Consulting Services (M) Sdn Bhd, in Malaysia to provide technical and scientific support, to facilitate meetings with the Malaysian Government departments, particularly the Malaysian Industrial Development Authority (MIDA) and for the land selection process.

ENVIRON has successfully completed projects in over 100 countries and has an international reputation for providing high-quality consulting and technical services. Their Malaysian office is ideally suited to assist TNG with its proposed development.

Malaysia's East coast hosts large-scale chemical and heavy industry, with a number of associated industries located along this regional corridor. These include steel mills, titanium dioxide processing, acid production and oil refining. Large deep water ports are also available.

The close proximity of these industries to the proposed TIVAN[®] plant location would provide immediate benefits, as TIVAN[®] will require proximity to acid availability, water and cost effective power. The proximity to associated industries such as steel mills and titanium processing also provides the potential for product sales at the process plant gate.

In addition, certain incentives may be available to attract chemical processes to the region, such as the potential for multi-year tax free allowances and cost-effective power and water agreements.

Commenting on the results of the Snowden Review, TNG's Managing Director, Mr Paul Burton, said the study indicated that locating the TIVAN[®] plant in Malaysia could deliver some compelling advantages.

"A degree of uncertainty currently exists regarding long-term competitive gas pricing in the Northern Territory, so we believed it would be prudent for TNG to look at all options, including an offshore location for the TIVAN[®] processing plant."

"This study certainly indicates that a Malaysian or other offshore location could deliver some very important benefits for the economics of the Mount Peake mining operation, and we will now investigate this potential further as part of the DFS.

Mr Burton further noted that "this alternative reinforces that the Mount Peake Project is an outstanding growth asset for TNG shareholders, and we are currently pressing ahead with discussions with key strategic and off-take partners to finalise a suitable funding and development framework for the project,".

Paul E Burton

Managing Director

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2012 PRE-FEASIBILITY STUDY

The PFS was prepared by consulting companies Snowden, Mineral Engineering Technical Services (METS) and Sinclair Knight Merz. The PFS was based on the updated JORC Indicated and Inferred Resource for Mount Peake published on 12 October 2011. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated to comply with the JORC Code 2012 on the basis that this information has not materially changed since it was last reported.

COMPETENT PERSON STATEMENT

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Paul Burton who is a Member of The Australasian Institute of Mining and Metallurgy and a Director of TNG Limited. Paul Burton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Burton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to 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 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.

The information in this report that relates to Mineral Resources included in the PFS and 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Lynn Olssen consents to the inclusion in this report of the matters based on her information in the form and context in which it appears

Mr Damian Connelly, MAAusIMM, Chartered Processional (MET), tMMICA, MSME, MSAIMM was responsible for the preparation of the metallurgical test work results reported herein. Mr Connelly has sufficient experience to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of the Exploration Results, Mineral Resources and Ore Reserves. Mr Connelly consents to the inclusion in the report of the matters based on his information in the form and context in which is appears.

Appendix 1: Pre-Feasibility Study assumptions 2012 (revised 6 February 2013)

The PFS 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 accuracy level of ± 25 per cent, required for the PFS.

The PFS is based on the updated JORC Indicated and Inferred Resource for Mount Peake published on 12 October 2011 of 160Mt @ 0.3% V_2O_5 , 5% TiO_2 and 23% Fe (Indicated 110Mt @ 0.29% V_2O_5 , 5.3% TiO_2 and 23% Fe; Inferred 48Mt @ 0.24% V_2O_5 , 4.5% TiO_2 and 21% Fe), and 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 with the balance from the Indicated category. 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.

A subsequent technical review of the PFS identified that the price for the hematite product at Mount Peake had incorrectly been applied in the financial model to contained iron (Fe) as opposed to contained iron oxide (Fe_2O_3). This was corrected in TNG's 6 February 2013 ASX announcement.

The key points of the PFS (as revised 6 February 2013 and 20 September 2013) were not changed when preparing the Snowden Review and are:

- | | |
|-----------------------------------|---|
| • Total material mined: | 147.9Mt |
| • Total waste movement: | 72Mt |
| • Total ore mined: | 75.9Mt |
| • Strip ratio: | 0.95 |
| • Mine life: | 20 years (including pre-production) |
| • Processing rate (life-of-mine): | 2.5Mt/annum, increasing to 5Mt/annum year 4 |
| • Average head grade: | 0.39% V_2O_5 , 27.09% Fe, 7.02% TiO_2 |
| • Average recoveries: | 80% V_2O_5 , 66% Fe, 55% TiO_2 |
| • Total metal production: | 236kt V_2O_5 , 17.4Mt Fe, 5,822kt TiO_2 |

Key assumptions at the commencement of operations were not been changed when preparing the Snowden Review and areas follows:

- Operating costs and pit slope angles related to mining estimated to a PFS level ($\pm 25\%$);
- V_2O_5 price of US\$19,841/tonne (>99% grade)
- TiO_2 price of US\$400/tonne (> 55% grade)
- Fe_2O_3 price of US\$200/tonne (>99.9% grade)
- Royalty rate of 2.5% per tonne of plant feed
- Discount rate of 8% and
- A\$/US\$ exchange rate of AUD1= USD1

Commodity Pricing:

Product pricing was supplied by Independent Commodities Analysts based on all available forecasts and current and forecast price trends and these figures were not changed when preparing the Snowden Review.

Exchange Rate:

An exchange rate of AUD1 : USD1 was used.

Capital Cost (CAPEX):

The details of the estimated capital expenditure are shown in Appendix 2 identifying any changes for the Malaysian option.

TNG recognises that a decision to expand to a 5Mtpa operation would be a future commercial decision based on prevailing market conditions.

Operating Costs (OPEX):

A breakdown of total operating cost estimates is provided in Appendix 2 identifying any changes for the Malaysian option.

Mine Life:

The process LOM including pre-production is 20 years and includes higher throughput at the 5Mtpa production rate and mining of higher grade material in first years.

Appendix 2:

Malaysian Option (M Op) Assumptions used in the Snowden Review

Cash Flow Model:

The cash-flow model was prepared using data determined during the PFS (as revised on 6 February 2013 and 20 September 2013) and provided by Snowden, METS and TNG. This cash-flow model provided basic pre-taxation financial information on the project and a financial analysis with a calculation of the Internal Rate of Return (IRR) and the real Net Present Value of the net cash-flow at a discount rate of 8% ($NPV_{8\%}$).

Capital costs (CAPEX):

Pre-production Capex

For the PFS (as revised on 6 February 2013 and 20 September 2013), it was assumed that the processing plant would be constructed at the Mount Peake project (Project) over two pre-production years. For the M Op, it was assumed that the concentrator would be constructed at the Project and the refinery would be constructed in Malaysia. In both cases the construction period is 2 years. The infrastructure costs included upgrades required to the road from the Project to the rail head and loading facilities at the rail head. The capital cost estimate for the M Op was updated by METS in March 2014.

The total allocation of these pre-production capital costs is outlined below:

Pre-production capital cost estimates comparing PFS (as revised on 6 February 2013 and 20 September 2013) results to M Op

Description	Unit	PFS \$M	M Op \$M
Plant construction	\$M	364	300
Plant indirect & first fills	\$M	33	27
Infrastructure	\$M	163	190
Mobilisation & plant	\$M	3	3
Total pre-production	\$M	563	520

Production capital cost estimate

The initial pre-production capital estimate is for a plant through put of 2.5 Mtpa of ore. In production years 3 and 4 it is proposed to increase the overall through put rate to 5.0 Mtpa of ore. The allocation of these production capital costs is outlined below:

Production capital cost estimates comparing PFS (as revised on 6 February 2013 and 20 September 2013) results to M Op

Description	Units	PFS \$M	M Op \$M
Plant construction	\$M	364	300
Plant indirect & first fills	\$M	33	27
Infrastructure	\$M	163	190
Mobilisation & plant	\$M	3	3
Total production	\$M	563	520

Operating costs comparing PFS ((as revised on 6 February 2013 and 20 September 2013) results to M Op

Item	Units	PFS	M Op
Mining			
Total Mining Cost / t Ore	\$/t	6.26	6.26
Total mining Cost / t Moved	\$/t	3.21	3.21
Total Mining Cost	\$M	475	475
Processing			
Average cost / t processed	\$/t	52.21	47.61
Total processing cost	\$M	3,964	3,615
Product transport			
Total transport cost / ore	\$/t	17.76	20.42
Total transport cost / product	\$/t	57.60	66.24
Total product transport cost	\$M	1,348	1,551
Summary			
Total operating / tonne ore	\$/t	76.24	74.30
Total operating cost	\$M	5,788	5,640

Mining inventory:

The mining inventory is based on the Mineral Resource published on 12 October 2011 in accordance with the 2004 edition of the JORC Code, with the tonnes and grade being estimated using reasonable industry costs. The tonnes mined, processed and the processed ore grade has been scheduled on an annual basis which Snowden considers reasonable for this level of report. The output results of the cash-flow model have been provided on a total and annual basis for the life of the Project.

Financial Statistics comparing 2012 PFS (PFS), (as revised on 6 February 2013 and 20 September 2013) results to M Op

Parameter	Units	PFS	M Op
NPV _{8%}	\$M	2,616	2,814
Net cash-flow	\$M	6,726	7,095
Revenue	\$M	13,599	13,599
Cash outflow	\$M	6,873	6,504
Peak equity funding	\$M	563	520
Operating cash-flow	\$M	7,471	7,823
IRR	%	38	43