TNG LIMITED

ABN: 12 000 817 023

ANNUAL REPORT 2016

TNG Limited
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INTERNATIONAL STOCK EXCHANGE
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TNG Limited Contents

2016 HIGHLIGHTS – YEAR IN REVIEW

- **Binding Life-of-Mine Off-take Agreement signed with major Korean ferro-vanadium group, WOOJIN, for a minimum of 60% of all vanadium products to be produced from the Mount Peake Project.**

- **Binding Life-of-Mine Technology Transfer agreement signed with WOOJIN ("WJN") for the use of WJN's proprietary ferro-vanadium production technology at the TIVAN® refinery site. WOOJIN's technology currently has the world's highest vanadium recovery rate and is expected to allow TNG significant additional profitability over the project's life.**

- **Binding Term Sheet for Life-of-Mine off-take signed with major global commodity trader Gunvor (Singapore) for a minimum of 60% of all iron products to be produced from Mount Peake.**

- **Binding Heads of Agreement signed with SMS group, one of world's biggest metallurgical engineering and construction companies, for engineering, design and tendering for construction for the TIVAN® downstream refinery, and provision of assistance for funding refinery construction.**

- **Memorandum of Understanding with SMS group for the joint commercial exploitation of the technology underpinning the TIVAN® downstream refinery.**

- **Up to $50 million per annum in operating cost savings identified for the Mount Peake Project as a result of work completed under the strategic alliance between TNG and SMS group.**

- **Multi-pronged Memorandum of Understanding (MOU) signed with the leading global services provider Downer EDI, paving the way to secure Downer's participation in the development, construction and operation of the Mount Peake Project.**

- **Memorandum of Understanding signed with Caterpillar Financial Australia for the provision of project finance and/or equipment finance for Mount Peake. The MOU provides scope for Cat Financial to participate in a project funding package in conjunction with other relevant financiers.**

- **Highly experienced industrial and construction group McMahon Services appointed as Mount Peake Project Manager to coordinate pre-development activities on behalf of TNG for the interim period until a final construction commitment and project finance is secured.**

- **Strong progress with Mount Peake approvals, with the Environmental Impact Statement (EIS) released for public comment, Notice of Intent for TNG's Darwin refinery submitted to the Northern Territory Government, and Sacred Site Clearance Certificate received from the Central Land Council.**

- **Discussions continued on multiple fronts during the period with several leading financial groups and major construction and mining groups to secure an appropriate funding and development package for Mount Peake.**

- **Completion of $4 million capital raising, under which SMS group GmbH became a cornerstone investor in TNG, with a further $4 million raised via the conversion of options by existing shareholders.**

REVIEW OF OPERATIONS

SUMMARY

TNG's focus throughout the 2016 Financial Year remained on the advancement of its flagship 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory with significant progress being made on process optimisation, off-take agreements and development partners during the year.

Mount Peake Project: TNG 100%

The Mount Peake Project is a world-scale strategic metals project located 235km north-west of Alice Springs in the Northern Territory, close to existing key power and transport infrastructure including the Alice Springs-Darwin Railway and the Stuart Highway.

With a JORC Measured, Indicated and Inferred Resource totalling 160Mt (118Mt Measured, 20Mt Indicated, 22Mt Inferred) grading 0.28% V_2O_5, 5.3% TiO_2 and 23% Fe, Mount Peake is one of the largest undeveloped vanadium-titanium-iron projects in the world. TNG has developed a process trademarked "TIVAN" that has evolved from existing metallurgical process routes to extract maximum value from this deposit, by extracting the vanadium, titanium and iron in commercial grades and quantities.

The area under licence covers a highly prospective, but poorly explored part of the Western Arunta geological province which offers significant exploration upside for TNG within an extensive 100%-owned ground-holding. TNG completed a Definitive Feasibility Study (DFS) on the Mount Peake Project in July 2015, paving the way for project financing and development to proceed. Results of the DFS were provided in full in the Company's June 2015 Quarterly Report.

Strategic Off-take, Development and Financing Agreements

Binding Life-of-Mine off-take and technology agreements signed with WOOJIN

During the year, TNG secured a binding vanadium off-take agreement for the Mount Peake Project, along with a technology transfer agreement for the TIVAN® refinery. These landmark agreements, with the major Korean-based ferro-vanadium group WOOJIN IND., CO., LTD., (WJN), were signed by TNG's Managing Director, Mr Paul Burton, and WOOJIN's CEO, Mr Ki, at a formal ceremony held at WOOJIN's headquarters in Seoul, Korea.

The life-of-mine off-take agreement encompasses binding commitments for WJN to take or pay a minimum of 60 per cent of the vanadium pentoxide (V_2O_5) and other vanadium products from Mount Peake with a minimum guaranteed price which is based on the cost of production estimates determined under the DFS, 20% above TNG's forecast cost of production.

This off-take agreement will allow more accurate forecasts of the project's revenue and profitability to be made and creates a strong foundation for the project's financing and development.

TNG also entered into a binding agreement for the transfer of ferrovanadium (FeV) production technology from WJN.

The FeV conversion plant will be installed at TNG's TIVAN® refinery site. This technology will allow TNG to further diversify the product portfolio assumed in the DFS, move up the vanadium value chain with a product that is directly saleable to major steel mills on a global basis, and take advantage of any price advantage of one product over the other (V_2O_5 versus FeV).

Binding Life-Of-Mine Off-Take Terms with Gunvor (Singapore) for Mount Peake Iron Products

Following the signing of a Heads of Agreement in 2014, TNG signed a binding term sheet with global commodities trader Gunvor (Singapore) for the life-of-mine off-take of iron products from the Mount Peake Project. TNG intends to produce approximately 637,000tpa of pig iron per annum from the iron-oxide produced from its TIVAN® refinery.

The binding term sheet encompasses key terms for the sale and purchase off-take of a minimum of 60 per cent of the iron products to be produced from Mount Peake, including the purchase of these products on an FOB basis and global distribution for a fixed commission.

Based on these terms, TNG and Gunvor will now work towards completion of the final binding life-of-mine sale and purchase off-take agreements for the iron products from Mount Peake.

Agreements with SMS Group for TIVAN® Refinery Design and Construction Finance Package, and Joint Technology Exchange

During the year, TNG signed a Binding Heads of Agreement (HoA) with one of world's largest metallurgical engineering and construction companies, SMS group ("SMS"), for the implementation of the TIVAN® downstream refinery which forms part of the Mount Peake Project.

The HoA marks a new stage in the collaboration and cooperation between the two companies. SMS has been involved with the Mount Peake Project since 2011, and played an integral role in the completion of the Definitive Feasibility Study (DFS) which was delivered in July 2015.

Under the HoA, SMS will:

- Undertake full due diligence of all relevant aspects of the Mount Peake DFS relating to the TIVAN® refinery;
- Provide detailed engineering, design and final costing for tender for the refinery; and
- Provide assistance in arranging funding for the construction of the TIVAN® refinery, including providing access to the Export Credit Agencies (ECA's) or other structured finance.

SMS Group GmbH is one of the leading global system suppliers of plants, machines and services along the entire metallurgical value chain, with a global workforce of approximately 14,000 employees. It has assisted with many aspects of the Mount Peake DFS including metallurgical testwork, flowsheet verification, financial modelling and with the final compilation of the DFS report.

During the year, TNG also signed a Memorandum of Understanding (MOU) with SMS group which will see the companies join forces to commercialise the technology underpinning the TIVAN® downstream refinery and investigate opportunities to grant each other access to their respective intellectual property.

The MOU represents a major vote of confidence by SMS in the future of the Mount Peake Project, and cements its participation in the financing and development consortium.

Under the MOU, the parties have confirmed their mutual intent to establish appropriate structures and/or contractual frameworks to ensure an alignment of their business interests in the future marketing of their combined IP and will work together to explore the best avenues to commercially exploit their IP.

This could be via a cross-licensing agreement, a patent pool, patent pooling, a joint venture or any other arrangement deemed most suitable for balancing the respective rights and obligations. Key elements of the MOU include:

- SMS group to grant TNG the right to use its TIVAN® intellectual property (IP) in TNG's wholly or majorly owned refineries for the processing of titaniferrous ores on the condition that those refineries are supplied by SMS;
- In the event that TNG elects to procure such a refinery from another vendor, SMS shall grant TNG a license to use its TIVAN® IP against payment of an adequate royalty (to be discussed) in each case;
- TNG shall grant SMS as an equipment supplier and plant builder, as well as its respective customers the right to use TNG's TIVAN™ IP against payment of an adequate royalty (to be discussed) in each case;
- Any future inventions and or any other IP developed by the parties applicable to the processing of titaniferrous ores based on a hydrochloric acid or ferric chloride leach shall be disclosed to each other and licensed under the conditions outlined above.

Subsequent to the end of the reporting period, work completed under the strategic alliance with SMS group delivered a significant reduction in the projected OPEX and CAPEX for the Mount Peake mining operation (see TIVAN® Process section below).

MOU with Downer EDI for Mount Peake Development, Construction and Operation

During the year, TNG signed a wide ranging non-binding Memorandum of Understanding with global engineering and services provider Downer EDI Limited (ASX: DOW) to participate in the development, construction and operation of the Mount Peake Project.

Under the terms of the MOU, TNG and Downer will work together in a number of areas to identify opportunities and secure Downer's involvement as a key development partner involved in the construction and operation of the Mount Peake Project. These include:

- Engineering, Procurement and Construction (EPC) of the Mount Peake processing plant at the mine site;
- Drilling, blasting, loading and haulage of minerals and waste materials at the mine site for the life-of-mine;
- Operation and maintenance of the processing plant at the mine site;
- Building, owning and operating all non-process infrastructure at the mine site; and
- Interfacing project infrastructure with existing rail facilities and the design, manufacture and maintenance of rolling stock and locomotives for use by the project.

Leveraging off the capabilities within the various Downer Group companies, Downer Mining has agreed to undertake preliminary analysis on the potential to be engaged to provide some of these activities and services.

Downer is a leading provider of services to customers in markets including mining, minerals and metals processing, transport services, technology and communication services, utilities services, engineering, construction and maintenance (EC&M) and rail. Downer is listed on the Australian Securities Exchange (ASX: DOW) and employs around 20,000 people worldwide, operating primarily in Australia and New Zealand as well as the Asia-Pacific, South America and Southern Africa.

MOU with Caterpillar Financial Australia for Mount Peake Project Finance and/or Equipment Finance

TNG signed a Memorandum of Understanding (MOU) with Caterpillar Financial Australia Limited ("Cat Financial") to consider the provision of project and/or equipment finance for the development of the Mount Peake Project, subject to due diligence, approvals, agreed terms and documentation.

The key terms of the non-binding MOU with Cat Financial:

- Cat Financial has agreed to consider the provision of project finance and/or equipment finance for the Mount Peake Vanadium-Titanium-Iron Project for the purpose of funding the development of the project in conjunction with other relevant project financiers;
- TNG has agreed to consider the procurement of Cat mobile mining equipment for the Project and awarding the supply contract to Caterpillar's dealership in the Northern Territory, Hastings Deering (Australia) Ltd; and
- TNG has also agreed to consider the procurement of Cat power equipment for the project and awarding the supply contract to Caterpillar's equipment dealership in the Northern Territory, Energy Power Systems Australia.

It is envisaged that the MOU with Cat Financial, once converted into a binding agreement, will form part of the diversified project finance consortium being assembled to fund the Mount Peake Project. The supply of mobile mining and power equipment represents a significant component of the overall capital cost for development of the project.

McMahon Services Appointed Mount Peake Project Manager to Coordinate Pre-development Activities

During the reporting period, TNG appointed McMahon Services as Interim Project Manager to coordinate the pre-development activities at Mount Peake.

McMahon Services ("MCM") is an industry-leading, privately-owned industrial, construction and environmental service provider that has delivered some of Australia's most ambitious and significant construction services projects.

MCM was closely involved with the Mount Peake DFS and contributed significantly to the outstanding outcomes delivered in the DFS. It also has a well-established record of facilitating and developing projects both in the Northern Territory and Australia-wide.

As Interim Project Manager, MCM will play an integral role in managing and finalising the Mount Peake Project pre-development work, enabling TNG to focus on securing project finance and final permitting.

The scope of the appointment is intended to cover the following key areas:

- Mount Peake mine site and camp facilities design and preparation;
- Selection of refinery site location in consultation with the NT Government;
- Liaison with Government departments to finalise preliminary plans for the Mount Peake rail siding, road access, gas pipeline, electricity powerlines, water pipeline, location of processing plant and ancillary facilities, waste storage and site rehabilitation;
- Coordination and completion of land clearance and refinery licences as required;
- Liaison with the NT Government and Shire Council to obtain approvals and potential financial assistance for the expansion of the planned Ti-Tree Airport;
- Liaison with Darwin Ports Corporation and their nominated providers to obtain the necessary permitting for the handling, storage and loading of products;
- Finalisation of rail access conditions and rail-port logistics with rail services provider, GWA;
- Completion of submissions required to access the Federal Government's $5 billion development funding for Northern Australia Supplier Access to Major Project Funds (SAMP) / tariff concession;
- Coordination of community and stakeholder liaison and indigenous training and development; and
- Establishment of a Darwin office for TNG and provision of administrative support.

McMahon's appointment will enable TNG to focus on securing project finance for the Mount Peake development, whilst also completing the final stages of project permitting.

Project Permitting

Environmental Impact Statement

The Environmental Impact Statement (EIS) for the Mount Peake mine and processing facility has been made available for Public Comment, representing a significant milestone in the overall project's environmental approval process.

The Mount Peake Project comprises a mine and processing facility to be located at Mount Peake, approximately 235km north-northwest of Alice Springs and 50km north-west of Ti Tree, and the Darwin TIVAN® Refinery, to be located at the Middle Arm Industrial Precinct some 16km to the south-east of Darwin.

Environmental approvals for the mine and refinery are being progressed separately, reflecting both their geographical separation (1,400km) and the fact that significantly different environmental and social issues need to be addressed at the two locations.

The mine and refinery were referred to separately by the Northern Territory Environment Protection Authority (NT EPA), which determined that both required assessment under the Northern Territory Environmental Assessment Act 1982 (EA Act) at the level of Environmental Impact Statement (EIS).

The mine and refinery were also separately referred to by the Commonwealth Department of the Environment under the Environment Protection and Biodiversity Conservation Act 1999. Both were determined to be controlled actions with assessment by accredited assessment under the EA Act.

The Mount Peake mine site and processing facility includes a proposed open-cut mining operation, waste rock dump, ore processing plant, tailings storage facility, water dams, gas-fired power station, accommodation village, site access roads, Stuart Highway underpass, rail load-out facility and borefield.

The EIS identifies and assesses the potential environmental and social impacts of the project and provides management and control measures to reduce potential risks or impacts to as low as reasonably practicable and to an acceptable level, in accordance with legislative requirements, industry standards and TNG's environment, community, and health and safety policies.

Potential impacts have been assessed for water resources (groundwater and surface water), biodiversity (flora, vegetation and fauna), air and greenhouse gasses, noise and vibration, Aboriginal and historic heritage, socio-economics, human health and safety, waste management and rehabilitation and closure.

The EIS was prepared by GHD, one of the world's leading environmental and resources consulting groups.

An EIS for the Darwin Refinery is in preparation. Specialist studies are being undertaken to identify and assess potential environmental and social impacts and to identify management and mitigation measures where necessary. As part of this work, consultation will be undertaken with local communities and government agencies.

Notice of Intent for Darwin Refinery

The Notice of Intent (NOI) for the proposed downstream refinery site in Darwin has been submitted to the Northern Territory Government.

The NOI provides formal notification to the Northern Territory Government and other interested parties of TNG's intention to develop the refinery, which will be located within the Middle Arm industrial area 16km to the south-east of Darwin CBD, and includes an overview of the proposed activities, the environmental and social considerations, and the proposed management strategies to be adopted by TNG as part of the development.

The NOI was prepared by GHD, one of the world's leading environmental and resources consulting groups.

The NOI has been delivered to the Northern Territory Environment Protection Authority (NT EPA). Assessment by the NT EPA of the NOI document will determine the Terms of Reference against which the Refinery will be assessed.

Sacred Site Clearance

A Sacred Site Clearance Certificate has been received from the Central Land Council (CLC) for the Mount Peake mine and associated infrastructure.

The CLC is the legal representative of the Traditional Owner Group (TOG) for the proposed Mount Peake mine area. This Certificate provides approval and clearance for TNG to construct the open cut mine, camp facility, haulage road, access road and rail siding at Mount Peake.

This paves the way for TNG to conclude negotiations with the CLC for the Mining Agreement, after which the Mining Licence can be issued by the Northern Territory Minister for Mines.

TIVAN® Process

TIVAN® pilot plant testwork completed with exceptional results

As outlined in the 2015 Annual Report, the pilot metallurgical testwork program for the TIVAN® downstream refinery of the Mount Peake Project has been successfully completed, delivering excellent results which have either met or exceeded expectations in all areas.

The TIVAN® testwork program was carried out at the world-class Commonwealth Scientific and Industrial Research Organisation (CSIRO) hydrometallurgical research facilities in Perth, with the appointed team of CSIRO experts providing significant input and improvements to the process before and during the trial.

The program confirmed the ability to achieve commercial vanadium recoveries of >93% and produce high-purity vanadium pentoxide (V_2O_5) of >99% purity, with high-purity iron oxide and titanium dioxide also recovered as valuable by-products.

The programme also outlined several areas of future potential improvements which are being reviewed prior to final design.

TNG and SMS Group identify up to $50M per annum operating cost savings at Mount Peake

As part of the work completed under the strategic alliance between TNG and SMS group GmbH (see above), subsequent to the end of the reporting period TNG and SMS identified potentially transformational capital and operating cost savings for the Mount Peake Project.

TNG and SMS have confirmed that further refinement of the TIVAN® process during the first part of the year has resulted in the introduction of a simplified and significantly more cost effective method of vanadium extraction, leading to a reduction in both operating costs and capital costs. Testwork performed by SMS during the year has repeatedly demonstrated a substantial reduction in utility and energy consumption while maintaining product recoveries and qualities at a very high level.

Based on the energy and utility cost assumptions underlying the Definitive Feasibility Study (DFS) financial model completed in 2015, the resulting savings are estimated to be a minimum of A$57/tonne of concentrate processed, compared to the DFS figures. On the basis of the DFS assumptions, this should result in an overall operating cost (OPEX) saving of more than A$50 million per annum for Phase 1 of the project (at a 3Mt per annum mining rate).

In the optimised process now being adopted, SMS has introduced an oxidative precipitation step following the production of magnetite concentrate and the TIVAN® leach phase. This replaces the solvent extraction circuits and precipitates a vanadium compound by atmospheric oxidation, from which TNG has the option to produce both very high-purity vanadium pentoxide (V_20_5) or ferro-vanadium (FeV), therefore increasing the number of potential products from Mount Peake's planned production.

This new method – combined with parallel refinements in other areas of the processing plant stemming from the ongoing engineering activities – results in significantly improved recovery of vanadium of up to 98% compared to the expected 90% used in the DFS, providing further upside to TNG in the overall amount of vanadium production and a corresponding expected increase in project revenue.

As the redesigned vanadium extraction circuit requires less complex equipment, a comparable reduction in plant CAPEX is also expected.

Locking these improvements into the design of the overall process flowsheet has also opened up the potential for further refinements, which SMS and TNG have agreed to pursue. One of these key areas is the potential, subject to current and proposed confirmatory work, to produce a feedstock which is tailored for an industry standard fluidised bed chlorinator, allowing TNG to use an existing industry standard pigment plant design for its titanium dioxide pigment production.

This innovation, if adopted, would provide the potential for additional savings in capital expenditure while potentially producing the highest purity pigment.

As a result of the outstanding success of this work, TNG and SMS have agreed to undertake further optimisation of the titanium dioxide feedstock characteristics. Related testwork will be carried out in Perth and Vienna and is expected to take approximately three months to complete.

TNG expects these enhancements to have a further material effect on the economics of the Mount Peake Project. After all improvements have been locked into the process flowsheet, a revised Financial Model will be prepared by Snowden incorporating the revised OPEX and CAPEX and production figures and the results will be reported.

Other prospects at Mount Peake

The Company has identified significant other mineralisation potential in the Mount Peake area.

Graphite

The graphite potential of the Mount Peake Project is continuing to emerge. This work is still at an early stage, however the graphite prospectivity at Mount Peake represents an exciting opportunity for TNG which will be further tested during 2016.

McArthur River Project: TNG 100%

TNG completed a program of mapping and sampling work at the McArthur River project, which successfully extended the known strike length of geochemically anomalous Wollogorang Formation sediments to 25km.

The exploration program was initiated following independent verification work conducted by the CSIRO over the past few years. The Wollogorang Formation was demonstrated to be deposited within a near-shore rifted epicontinental basin under euxinic (sulphide-rich) conditions, in a similar way to the Barney Creek Formation that hosts the HYC McArthur River zinc mine and recently outlined Teena zinc resource (shown on Figure 1). Teena is owned by Teck Australia (51%) and Rox Resources (ASX: RXL) and has an Inferred Mineral Resource of 58Mt @ 12.7% Zn+Pb, for a contained 6.5 million tonnes of zinc and 0.9Mt of lead (*see Rox Resources' ASX Announcement 1 June 2016*).

A total of 367 portable XRF (pXRF) sample analyses were recently taken by TNG over an area of 3km^2 (Figure 2). Lines were on 400m spacing, in-filled as required to 200m and 100m spacing, and on lines generally up to 500m long, as dictated by the stratigraphy. Details of sampling techniques can be found in Appendix One and results listed in Appendix Two. A total of eight kilometres of strike was tested.

A significant copper-zinc-lead anomaly was outlined by this sampling within the Wollogorang Formation and near a fold hinge zone (Figure 3). Maximum values were 514ppm copper, 455ppm zinc and 280ppm lead, as summarised in Table 1. Nine copper values exceeded 250ppm and eight zinc values exceeded 250ppm.

Table 1. Cu-Zn-Pb anomaly summary information.

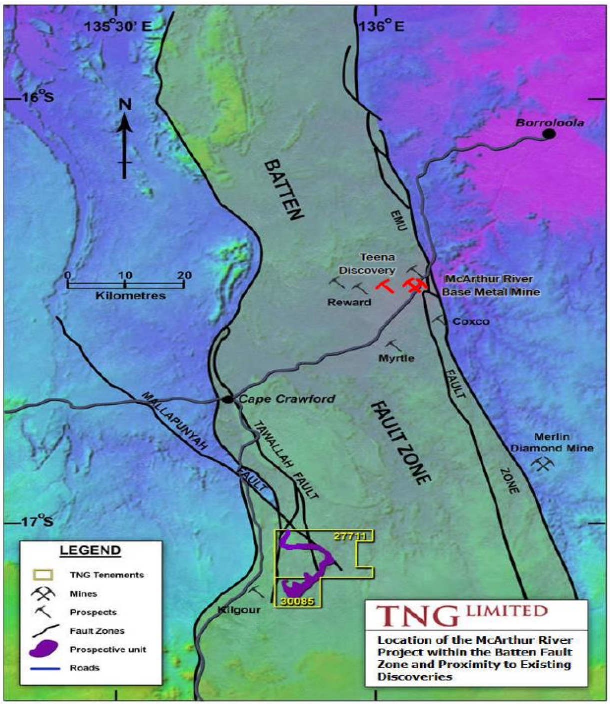
	Copper	Zinc	Lead
Maximum Value	514ppm Cu	455ppm Zn	280ppm Pb
No. Anom. Samples	9 (>250ppm)	8 (>250ppm)	4 (>100ppm)
Spatial Dimension	1100m x 100m	450m x 75m	

Soil sampling was conducted to the west and north of the existing work areas that wrap the northern, eastern and southern flanks of the Mallapunyah Dome (Figure 3). The targeted stratigraphic unit was the Wollogorang Formation, which has been shown to be highly prospective for SEDEX style Zn-Cu-Pb-Ag mineralisation.

The highest results for both copper and zinc are located where the strike of the Wollogorang Formation changes from east/west to north/south. An open synclinal fold plunging shallowly to the east-northeast is mapped in this area providing scope for a major accumulation of SEDEX style mineralisation.

The anomalous copper results outline a coherent anomaly some 1100m long and up to 100m across. Both zinc and lead anomalies are co-incident with the copper anomalous zone. The anomaly is stratabound, being confined to the central "ovoid beds" portion of the Wollogorang Formation.

To confirm the portable XRF results, two lines of sampling were duplicated with -80 mesh sampling that was analysed at ALS by the ICP technique. These results confirmed the multi-element character, position and tenor of the anomaly in the pXRF dataset.



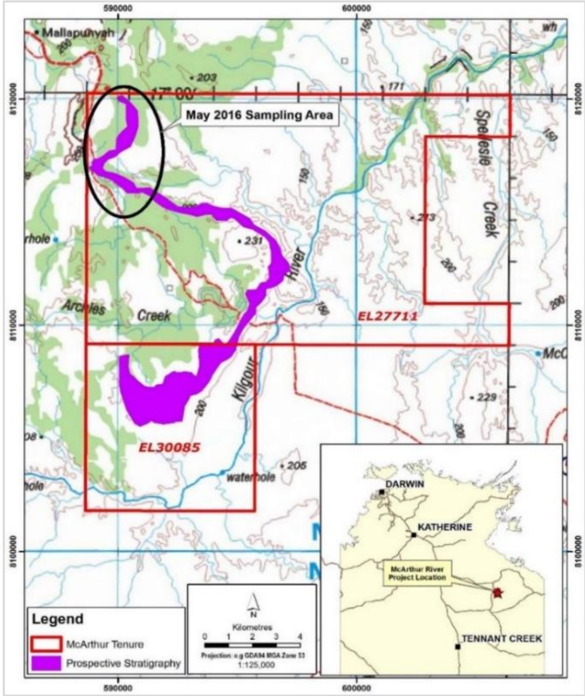


Figure 1. TNG's project location showing the area of prospective stratigraphy, significant regional faults within the Batten Fault Zone, and the HYC McArthur River zinc mine and the Teena Mineral Resource area shown.

Figure 2. Location of the Soil Sampling program within the McArthur River project tenure.

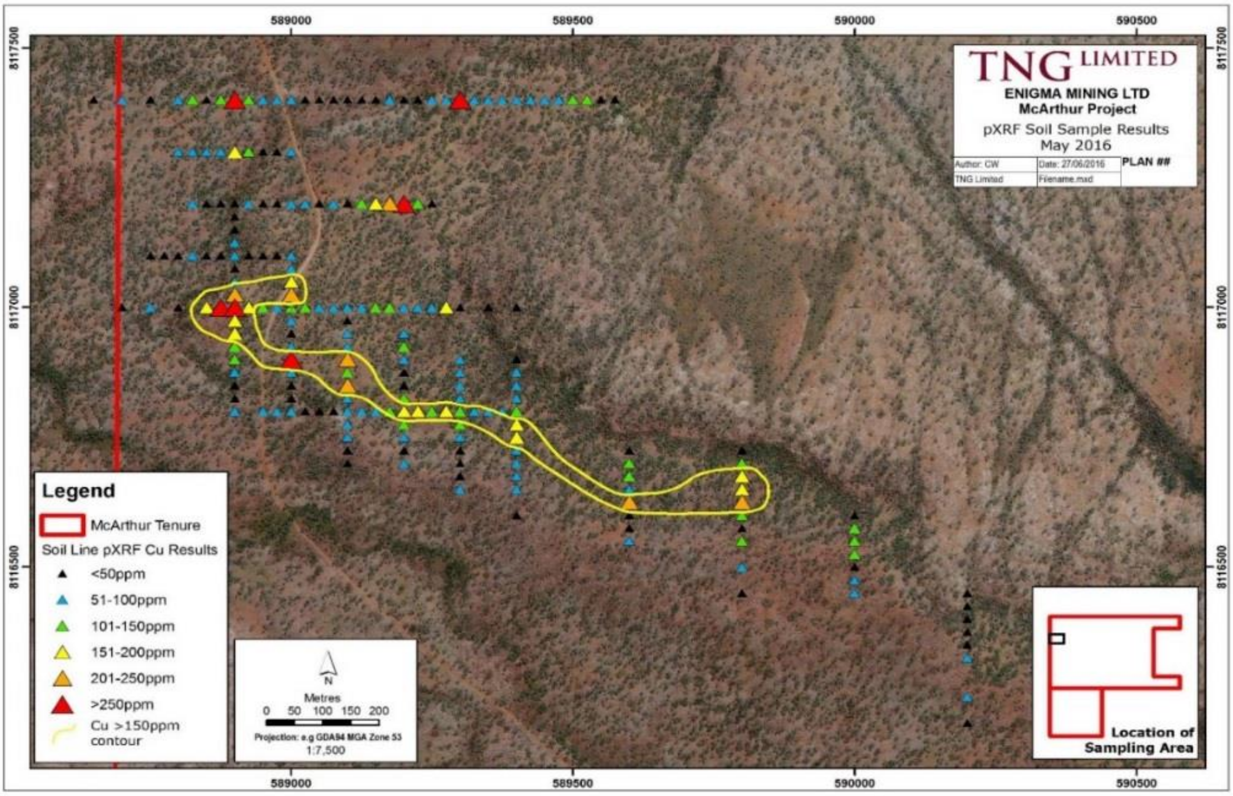


Figure 3. Geochemically anomalous area outlined by pXRF soil sampling.

The geochemical work has outlined anomalism of a type and tenor similar to the three other anomalies outlined to the east and south (*see ASX Announcement 16 September 2013*).

All are confined to the ovoid beds portion of the Wollogorang Formation and have a zinc-copper-lead character, with values of up to 1400ppm Zn and 1150ppm Cu. This anomalous stratigraphy extends the known strike extent by a further eight kilometres (as shown on Figure 1).

Direct comparison has been made in the CSIRO work of the geochemical results from the TNG 2014 drilling on the McArthur River Project (*see ASX Announcement from 18 December 2014*), with the Barney Creek Formation at the McArthur River Zinc Mine, and also with SEDEX AI and Metal Index values, both indicators of proximity to "ore zones".

All results point to the organic-rich shales of the Wollogorang Formation having similar haloes and base metal mineralisation style to the McArthur River mine. This is shown schematically on Figure 4 (from the CSIRO work), where TNG's 2014 diamond drill-hole 14MCDDH002 is placed in proximity to a hypothetical ore environment at the time of its formation.

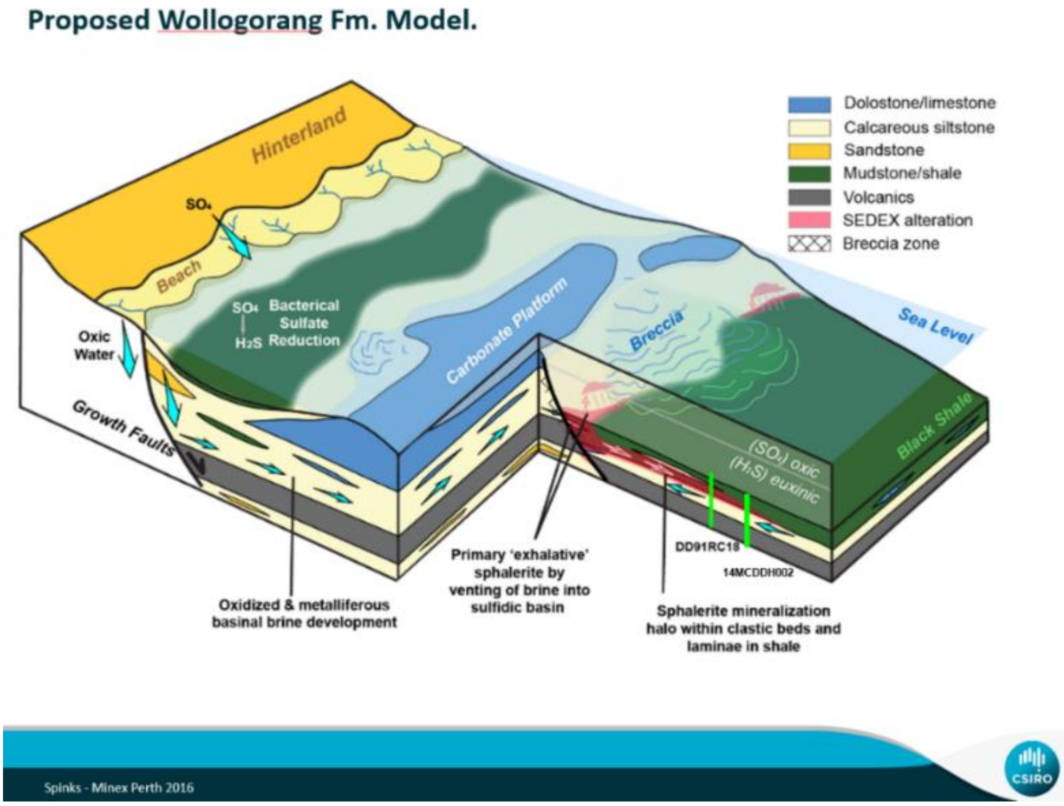


Figure 4. CSIRO slide 39 of Sam Spinks' MinEx presentation (February 2016), showing the proximity of the TNG drill hole 14MCDDH002 to a HYC-type SEDEX "ore environment" in a diagrammatic representation at the time of formation of a hypothetical base metal deposit.

Stokes Yard Project: TNG 100%

During the reporting period, TNG secured a zinc and precious metals exploration project in the highly prospective Warumpi Province to the west of Alice Springs. The acquisition is consistent with the continued broader development of TNG's resource portfolio, with the new project to be included in the proposed spin-off of the Company's exploration assets via its subsidiary Todd River Resources.

As part of its ongoing tenement management and portfolio development, TNG has acquired a 100% interest in Exploration Licence 30131 from the tenement-holder, Imperial Granite and Minerals Pty Ltd, for $20,000 consideration before costs.

The tenement, which was originally granted on 11 August 2014 for six years, covers 16 graticular blocks for an area of 50.45 square kilometres. It falls on Glen Helen station (NT Portion 719 Perpetual Pastoral Lease 1128), and is accessed from Alice Springs via the sealed Larapinta Drive and from there along the formed gravel Haasts Bluff/Papunya Road (Figure 5).

The tenement area falls within the central-eastern portion of Warumpi Province in the Arunta Region of central Australia. Rocks underlying the tenement are medium to high grade metamorphics, of both metavolcanic and metasedimentary origin, including calcsilicates and schists. They form part of the ca. 1600 Ma Iwapataka Metamorphic Complex and Ikuntji Metamorphics, according to the recent Northern Territory Geological Survey (NTGS) interpretation.

The project area is under-explored, with only minor exploration work being completed for uranium, gold and base metals since the early 1970's, and no drill testing conducted in the last 40 years.

The tenement includes the Stokes Yard Zinc-Copper-Lead-Zinc Prospect, which is located on the western part of the licence (Figure 6). Historical rock chip samples from this prospect have returned results of up to 26% Zn, 7.5% Cu, 7.5% Pb and 130ppm Ag.

Sampling by the NTGS in the early 2000's returned results including 12.2% Pb and 8.8% Zn, and the subsequent tenement holder (Northern Minerals) reported rock sample results including a 27.5% Zn analysis result.

The base metal mineralisation seen on the surface at the Stokes Yard prospect appears to be structurally focused, into the keel of a synformal fold in the metamorphics. It may be of a skarn (or carbonate replacement) mineralisation style, but the high metamorphic grade of the rocks and intense post-mineral deformation seen has masked most of the evidence that would indicate the original mineralising events.

The high-grade base metal mineralisation outlined to date at the Stokes Yard Prospect has many similarities with the mineralisation seen to the north at TNG's Mount Hardy Project. At Mount Hardy, TNG has delineated several targets of this type with previous drill intersections including assays of up to 12.1% Zn and 7.2% Pb, plus thick drill intercepts such as 21.0m @ 3.5% Zn, 1.91% Pb, 0.46% Cu and 36g/t Ag at EM Target #1 (*see TNG's ASX Announcement – 20 May 2013*).

Stokes Yard also displays similarities with the base metal Mineral Resources outlined further to the east at the Jervois deposit, owned by KGL Resources (ASX: KGL). The recently announced Pre-Feasibility Study results from Jervois (*see KGL's ASX Announcement 16 October 2015*) have shown that the stratabound mineralisation extends for over 12km of strike. The current Mineral Resource inventory stands at 26.7Mt grading 1.12% Cu (for 300,000 tonnes of contained copper) and a separate 3.8Mt grading 3.7% Pb and 1.2% Zn.

The Warumpi Province has also had some recent exploration success with ABM Resources (ASX: ABU) and Independence Group (ASX: IGO) discovering significant multi-element precious and base metal mineralisation (*see ABU ASX Announcement 6 October 2015*).

The Bumblebee Prospect, located 55km northeast of Kintore, returned first-pass drill results including 7m @ 3.3g/t Au, 37.7g/t Ag, 3.2% Cu, 1.3% Zn and 5m @ 2.4g/t Au and 1.4% Cu. Initial geological assessment of the prospect by ABM/IGO suggests a Cloncurry iron oxide copper gold (IOCG) style of mineralisation, similar to Ernest Henry in the Mount Isa Block, QLD (*see ABU ASX Announcement 6 October 2015*).

TNG intends to rapidly assess the project through a combination of geochemical and geophysical target delineation, followed by drill testing. As with other TNG base metal assets in the Northern Territory, the Stokes Yard Project is planned to be included in the proposed Todd River Resources spin-off when market conditions allow.

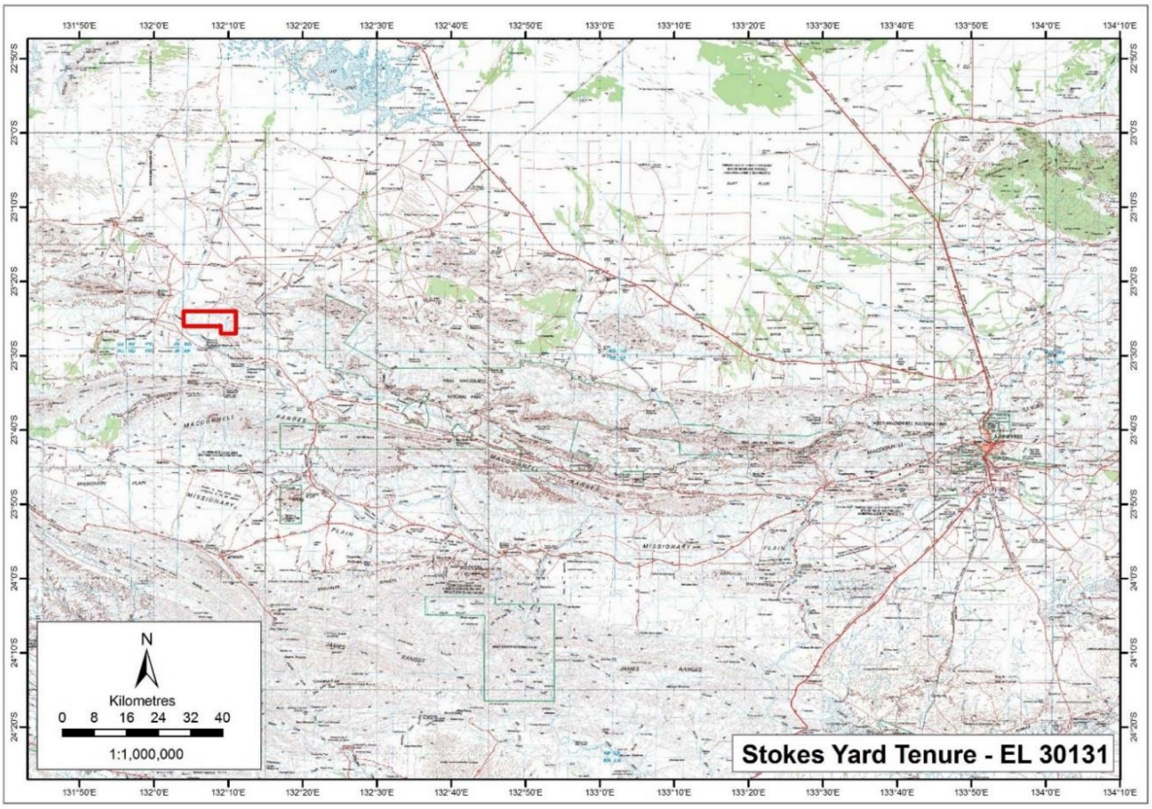


Figure 5. Location of the Stokes Yard Project EL 30131 relative to Alice Springs.

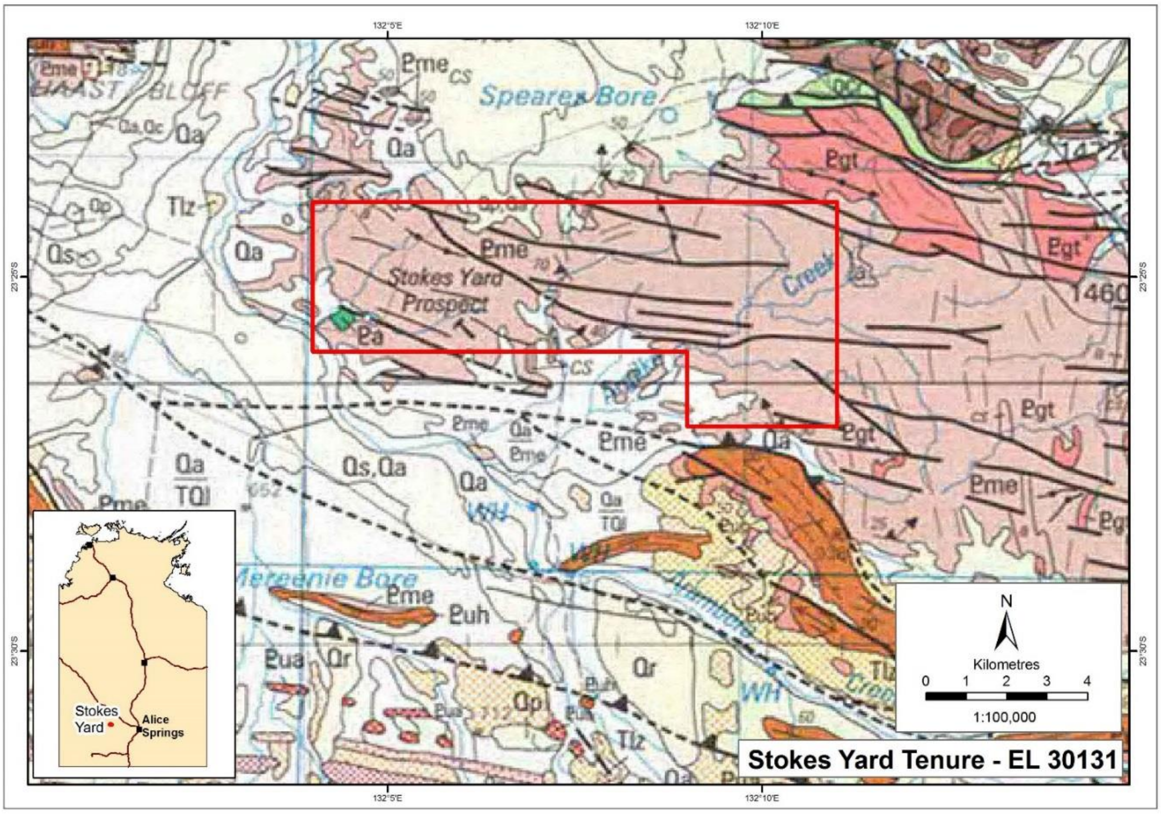


Figure 6. Stokes Yard Project EL 30131 on published 1:250,000 scale geological map, showing the location of the Stokes Yard Prospect.

Other Projects

TNG has a number of other non-core base metal projects, all of which offer outstanding prospectivity. TNG plans to de-merge these projects into a new listed entity, to be named Todd River Resources.

For further information on the proposed spin-out, please see the Corporate Section below.

CORPORATE

Planned demerger of base metal assets – Todd River Resources

The Company originally received approval for the spin-out discussed above at a general meeting of shareholders held on 20 May 2015, however the process was deferred during the reporting period due to prevailing market conditions. The approval received was valid for approximately six months.

In light of the improvement in market conditions for the junior resource and exploration sector seen over recent months, subsequent to the end of the reporting period the Company announced that it would seek re-approval for the spin-out at a general meeting of shareholders.

It is intended that Todd River Resources will undertake an Initial Public Offer and seek an ASX listing in conjunction with the spin-off. Upon completion of the demerger, Todd River Resources will have one of the largest base metal exploration footprints in the Northern Territory, with ownership of a number of advanced assets including the large Manbarrum Zinc Project.

The proposed Spin-out will involve Todd River acquiring the NT Base Metal Assets from TNG, and existing eligible TNG shareholders who remain on the TNG share register on the record date (to be confirmed) receiving shares in Todd River via an in-specie distribution.

In order to fund the ongoing exploration and development of the NT Base Metal Assets, and in conjunction with the Spin-out, it is proposed that Todd River will undertake a capital raising by way of an Initial Public Offer as part of its ASX listing process (IPO).

The proposed demerger is consistent with TNG's core corporate focus, which is the development of its world-class Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory. This has resulted in the Company becoming recognised as an emerging vanadium and strategic metals producer.

In light of this strategic focus, the Directors of TNG believe that the Spin-out and IPO provides the best avenue to realise value from the Company's NT Base Metals Assets, which include the Petermans, Sandover, Mount Hardy, Walabanba, Rover, Goddards, McArthur River, Melville Island, Croker Island and Manbarrum Projects.

TNG's primary objective in undertaking the Spin-out and IPO is to separate the NT Base Metal Assets from its other assets and to achieve the following commercial objectives:

- to allow TNG to concentrate on the development of its flagship asset, the world-class Mount Peake Vanadium-Titanium-Iron Project;
- to create a separate listed entity to focus on the future development of the NT Base Metal Assets;
- to provide separate funding channels for Todd River and the NT Base Metal Assets, thereby allowing the Company to conserve its cash resources for undertaking activities connected with its flagship asset and also enabling each entity to achieve a funding profile more attuned to the stage of development of its respective assets; and
- to make it easier to raise equity to fund the NT Base Metal Assets.

The Spin-out is also considered to be an opportunity for shareholders to realise maximum value from the NT Base Metal Assets as it will allow the Company to divest these assets, which it considers to be non-core to its strategic objectives, while focusing on its flagship Mount Peake Project.

It is intended that both TNG and its shareholders will retain a significant exposure to the potential future upside from these assets. It is the Company's current intention that the IPO would likely include a form of priority offer to existing TNG shareholders, whilst also providing an opportunity for new investors to invest in a company solely focused on the NT Base Metal Assets.

The proposed Spin-out and IPO are subject to final Board approval once the proposed transaction terms are finalised. Todd River has appointed Sanlam Private Wealth (www.sanlamprivatewealth.com.au) as lead manager in respect of the IPO. Further updates in respect of the IPO and an indicative timetable for the transaction will be provided as appropriate.

The Board considers that the value of the NT Base Metal Assets is not recognised in TNG's share price and believes that the time has come to separate and transfer these quality projects into an independent company with specific commodity and management focus.

Capital raisings

During the reporting period, TNG secured a cornerstone investment from global engineering company SMS group GmbH as part of a wider $4 million institutional share placement to provide ongoing working capital for the Company's Mount Peake development in the Northern Territory.

The unconditional Placement comprised the issue of approximately 37.2 million shares at an issue price of 11 cents per share.

SMS group, via its subsidiary SMS Investments, subscribed for 14 million shares or $1.5 million as part of the Placement. In addition, overseas institutions subscribe for approximately 22.36 million shares, amounting to $2.5 million. The Placement was undertaken within the Company's existing placement capacity.

In addition, during the period 51,618,735 options were converted raising approximately $4.1 million following a strong take-up of TNGO listed options ($0.08) by shareholders.

$1.8M Research and Development Rebate

TNG received the full amount of its Research & Development (R&D) refund claim totalling $1,889,346 before costs. The claim covers eligible test work for the 2014/15 financial year under the Federal Government's R&D tax incentive scheme. TNG's research and development relates to the commercial extraction of high purity vanadium, titanium and iron from vanadiferous-titanomagnetite using its TIVAN® hydrometallurgical process (patent pending).

Davis Samuel – Appeals Dismissed

Further to its previous announcement of 23 November 2015 on the long-running legal matter between the Commonwealth and Davis Samuel, TNG has been advised that, on 30 June 2016, Burns J of the ACT Court of Appeal dismissed an appeal by several parties in relation to 2013 and 2014 judgments against them in favour of TNG and the Commonwealth.

This means that, with TNG having settled the claim against it by the Commonwealth some time ago, TNG's involvement in these long-running proceedings is now over, subject to any further appeals by those parties. TNG holds unsatisfied judgment for considerable sums against those parties, but their ability to satisfy those debts is very doubtful.

TNG had previously reached an agreement with the Commonwealth to settle any claim the Commonwealth may have against TNG in relation to costs by paying to the Commonwealth the sum of $68,655.36 and assigning charges over property of some of the other defendants. In return, the Commonwealth completely discharged and released TNG from any claims in respect to costs.

The Commonwealth, also agreed that TNG could retain ownership of the shares in ASX-listed company Kanowna Lights Limited (now Peninsula Energy Ltd – ASX: PEN).

The Company is pleased that the appeals relating to the long-running Davis Samuel legal saga had finally had been dismissed, marking the end of a lengthy chapter in the Company's history.

Board of Directors

During the period, Mr Jianrong Xu, Mr Zhigang Wang and Mr Michael Evans resigned as Directors of the Company due to other commitments, and Mr Zhigang Wang retired by rotation according to the Company's constitution.

Mr Jianrong Xu and Mr Zhigang Wang were appointed to the TNG Board as Non-Executive Directors to represent major shareholders Ao-Zhong International Mineral Resources Pty Ltd and Aosu Investment and Development Co Pty Ltd respectively. Both Ao-Zhong and Aosu remain supportive of TNG. Mr Michael Evans had been a Director since 31 May 2013 and Acting Chairman of the Company since 27 February 2014.

Company will consider the relevant composition and skill-set of its board, including giving consideration to appointing a new Chairman.

Cash

At 30 June 2016, the Company had cash of $7,166,897 (2015: $5,157,063).

Loss before tax for the year

The loss for the financial year ended 30 June 2016 of TNG was $7,139,305 (2015 loss: $5,020,912).

Exploration and evaluation expenditure

TNG has continued its exploration and evaluation program over assets held with its focus on Mount Peake. During the year, payments of $5,744,763 (2015: $6,130,959) was made in relation to exploration and evaluation activity.

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 2016 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 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 25 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.

Geoffrey Crow
Independent Non-Executive Director

Mr Crow has more than 28 years experience in all aspects of corporate finance, stockbroking and investor relations in Australia and international markets, and has owned and operated his own businesses in these areas for the last sixteen years.

Mr Crow is currently a non-executive director of unlisted company Iron Ridge Resources Limited.

Rex Turkington, BCom(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, is a graduate of the Austraian Institute of Company Directors and is an Associate of the Securities Institute of Australia

Mr Turkington is currently non-executive Chairman of ASX listed Key Petroleum Ltd.

Michael Evans B.Bus, ACA, ACIS , AGIA
Acting Independent Non-Executive Chairman

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 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 was non-executive Chairman of ASX and AIM listed 88Energy Limited.

Mr Evans resigned as Acting Chairman on 4 December 2015.

Mr Jianrong Xu
Non-independent Non-executive Director

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 was also a director of AIM-listed Company, China Africa Resources Plc.

Mr Xu resigned as Non-executive director on 16 October 2015.

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 Beijjia.

Mr Wang resigned as Non-executive director on 30 November 2015.

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	Number of remuneration committee meetings held	Number of remuneration committee meetings attended
Michael Evans	4	4	1	1	N/A	N/A
Paul Burton	11	11	N/A	N/A	N/A	N/A
Geoffrey Crow	11	11	2	2	1	1
Rex Turkington	11	11	2	2	1	1
Jianrong Xu	3	1	N/A	N/A	N/A	N/A
Zhigang Wang	3	0	N/A	N/A	1	-

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 such as 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 loss of the Group after income tax for the year was $7,139,305 (2015: loss $5,020,912). The group spent $5,744,763 (2015: $6,130,959) on Exploration and Evaluation expenditure and had a 30 June 2016 closing cash balance of $7,166,897 (2015: $5,157,063). A review of the operations during the financial year is set out on pages 2 to 18.

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 finance the development and construction of the company's flagship Mount Peake Project.

- 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, which are quoted in foreign currency. 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 and senior executives at market rates for comparable companies for time, commitment and responsibilities. The full Board on advisement from the Remuneration Committee 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 executive's is valued at cost to the Company and expensed.

REMUNERATION REPORT - Audited (continued)

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 and short term incentives designed to reward key management personnel for meeting or exceeding specific objectives or as recognition for strong individual performance. Short-term incentives are provided in the form of cash bonuses or salary increases as set out in individual employment agreements.

Short-term incentive bonus

Short-term incentives are provided in the form of cash bonuses and/or salary increases. They are used to encourage and reward exceptional performance in the realisation of strategic outcomes and growth in shareholders wealth.

During 2015 the company entered into a new short-term incentive agreement with Mr Burton, under the new agreement Mr Burton will have the ability to receive an incentive bonus based on market capitalisation (MCIB) equivalent to 15% of base salary, payable when the market capitalisation of TNG reaches trigger points set by the Board: $50 million; $100 million; $200 million; $300 million; $400 million; $500 million; and any additional trigger points as agreed in writing between TNG and Mr Burton from time to time.

The incentive will be payable in cash or (subject to shareholder approval) an equivalent amount in TNG shares. If the market capitalisation of TNG remains above a trigger point for a continuous period of at least three months, then base salary will increase (with effect from the end of the three month period) by the amount of the relevant MCIB payment.

The Company (through the Board or any remuneration committee established by the Board) has the discretion to grant to the Mr Burton additional incentives from time to time in connection with the achievement of significant milestones for the Company or otherwise in recognition of Mr Burtons services to the Company.

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.

REMUNERATION REPORT - Audited (continued)

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.

	2016	2015	2014	2013	2012
Profit/(loss) attributable to owners of the company	(7,139,305)	(5,020,912)	(3,670,228)	($4,617,926)	($3,430,360)
Dividends paid	-	-	-	-	-
Share price at 30 June	$0.13	$0.15	$0.19	$0.05	$0.08
Change in share price	(16%)	(18%)	273%	(36%)	(36%)
Return on capital employed	(7%)	(5%)	(3%)	(21%)	(13%)

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 $50,000 to $88,000 (2015: $50,000): per annum. Shareholders have approved Director's fees of an amount of up to $500,000 (2015: $500,000) cash in aggregate per annum.

Directors and executives may also receive either a salary (plus superannuation guarantee contributions as required by law, currently set at 9.50% (2015: 9.50%), 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

Paul Burton - Managing Director

- Term of Agreement – October 2014 until terminated by either party.
- Salary - $476,000 (Increased from $414,000 with effect 11 August 2015) per annum excluding super plus any expense incurred.
- Incentive Bonus – An incentive bonus based on market capitalisation (MCIB) equivalent to 15% of base salary, payable when the market capitalisation of TNG reaches trigger points set by the Board: $50 million; $100 million; $200 million; $300 million; $400 million; $500 million; and any additional trigger points as agreed in writing between TNG and Mr Burton from time to time or Board's discretion. The incentive will be payable in cash or (subject to shareholder approval) an equivalent amount in TNG shares. If the market capitalisation of TNG remains above a trigger point for a continuous period of at least three months, then base salary will increase (with effect from the end of the three month period) by the amount of the relevant MCIB payment.
- 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.

Geoffrey Crow - Non-Executive Director

- Term of Agreement – February 2011 until terminated by either party.
- Directors fees - $66,000 per annum excluding super where applicable plus any expense incurred.
- Additional monies are paid to Salaris Consulting Pty Ltd a related entity of Mr Crows, for consulting services based on a daily rate, and are included in salary and fees.
- Early termination – Not applicable.

Rex Turkington - Non-Executive Director

- Term of Agreement – November 2011 until terminated by either party.
- Directors fees - $77,000 (increased from $50,000 with effect from 1 July 2015) per annum excluding super where applicable 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.

REMUNERATION REPORT - audited (continued)

Michael Evans – Acting Chairman

- Term of Agreement – From appointment on 31 May 2013 until terminated by either party.
- Directors fees - $88,000 per annum excluding super where applicable plus any expense incurred.
- Early termination – Not applicable.
- Mr Evans resigned as Acting Chairman on 4 December 2015

Jianrong Xu - Non-Executive Director

- Term of Agreement – May 2012 until terminated by either party.
- Directors fees - $50,000 per annum excluding super plus any expense incurred.
- Early termination – Not applicable.
- Mr Xu resigned as Non-executive director on 16 October 2015.

Zhigang Wang- Non-Executive Director

- Term of Agreement – January 2012 until terminated by either party.
- Directors fees - $50,000 per annum excluding super plus any expense incurred.
- Early termination – Not applicable
- Mr Wang resigned as Non-executive director on 30 November 2015.

Scott Rauschenberger – Chief Financial Officer

- Term of Agreement – November 2007 until terminated by either party.
- Salary - $176,400 (increased from $168,000 with effect from 1 September 2015) per annum excluding super plus any expense incurred.
- Early Termination – 1 months written notice or making a payment of 1 month salary in lieu. This applies to any reason other than gross misconduct.

Simon Robertson – Company Secretary

- Term of Agreement – August 2009 until terminated by either party.
- Consultancy fee - $5,500 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.

REMUNERATION REPORT - audited (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 2016

Consolidated		Short Term		Post-Employment	Long Term			
Directors		Salary & Fees	Bonus	Super-annuation	Share-based Payment - Shares/Options	Other[1]	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	%
Paul Burton	2016	467,501	200,000	44,413	64,493	41,197	817,604	32%
Managing Director	2015	407,031	108,000	38,668	178,866	31,681	764,245	38%
Geoffrey Crow	2016	71,000	-	-	49,600	-	120,600	41%
Non-executive	2015	50,000	-	-	97,759	-	147,759	66%
Rex Turkington	2016	127,400	-	-	49,600	-	177,000	28%
Non-executive	2015	63,000	-	-	97,759	-	160,759	61%
Michael Evans[2]	2016	36,667	-	-	49,600	-	86,267	57%
Acting Chairman	2015	50,000	-	-	114,674	-	164,674	70%
Jianrong Xu[3]	2016	14,583	-	-	-	-	14,583	0%
Non-executive	2015	50,000	-	-	-	-	50,000	-
Zhigang Wang [4]	2016	20,833	-	-	49,600	-	70,433	70%
Non-executive	2015	50,000	-	-	91,315	-	141,315	65%
Total	2016	737,984	200,000	44,413	262,893	41,197	1,286,487	36%
	2015	809,712	108,000	38,668	580,373	31,681	1,428,752	48%

[1] Includes accrued annual leave not taken over and above base salary detailed within the service contracts section above
[2] Mr Evans resigned as Acting Chairman on 4 December 2015
[3] Mr Xu resigned as Non-executive director on 16 October 2015
[4] Mr Wang resigned as Non-executive director on 30 November 2015

Remuneration of key management personnel for the year ended 30 June 2016

Consolidated		Short Term		Post-Employment	Long Term			
Executives		Salary & Fees	Bonus	Super-annuation	Share-based Payment – Shares/Options	Other[1]	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	%
Scott L Rauschenberger	2016	174,752	-	16,601	-	13,017	204,370	-
Chief Financial Officer	2015	168,000	-	15,960	-	12,277	196,237	-
Simon L Robertson	2016	68,338	-	-	13,352	-	81,690	16%
Company Secretary	2015	64,441	-	-	23,908	-	88,349	27%
Total	2016	243,090	-	16,601	13,352	13,017	286,060	5%
	2015	232,411	-	15,960	23,908	12,277	284,586	8%

[1] Includes accrued annual leave not taken over and above base salary detailed within the service contracts section above.

REMUNERATION REPORT - audited (continued)

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remunerated to each director of the Company, and other key management personnel are detailed below.

	Short-term incentive bonus		
	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
Paul Burton	200,000	100%	-

(A) Amounts included in remuneration for the financial year represent the amount related to the financial year based on achievement of personal goals and satisfaction of specified criteria. The remuneration committee approved these amounts on 6 October 2015

3. Shares and options granted as part of remuneration

No shares or options in the Company were granted as compensation to each key management person during the reporting period.

4. Exercise of options granted as compensation

During the period 2,333,332 options were exercised by key management personnel, refer section 9 of the remuneration report.

5. Analysis share 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:

Directors	Number of share rights granted during 2016	Grant date	Fair value per option at grant date ($)	Expiry date	Number of options and share rights vested during 2016[(i)]
Paul Burton	-	-	-	-	4,000,000
Michael Evans	-	-	-	-	2,000,000
Geoffrey Crow	-	-	-	-	2,000,000
Rex Turkington	-	-	-	-	2,000,000
Zhigang Wang	-	-	-	-	2,000,000
Executives					
Simon Robertson	-	-	-	-	500,000

[(i)] This relates to shares issued under the TNG Director and consultant Share Plan.

All ordinary shares issued under the company's share plan which vested in 2016 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 provided the non-recourse loan relating the relevant share issue has first been repaid.

No options have been granted since the end of the financial year.

REMUNERATION REPORT - audited (continued)

6. Analysis of movements in equity instruments

No shares or options in the Company were granted as compensation to each key management person during the reporting period.

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

Directors	Granted in year $ (A)	Value of options exercised in year $
Zhigang Wang	-	236,000

(A) The value of share rights 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.

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.

8. Options over equity instruments

	Held at 1 July 2015	Granted as remuneration	Cancelled/ Expired	Exercised	Sold	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2016
Directors								
Paul Burton	-	-	-	-	-	-	-	-
Geoffrey Crow	166,666	-	-	(166,666)	-	-	-	-
Rex Turkington	166,666	-	-	(166,666)	-	-	-	-
Michael Evans	2,000,000	-	(2,000,000)	-	-	-	-	-
Jianrong Xu	-	-	-	-	-	-	-	-
Zhigang Wang	3,600,000	-	(1,600,000)	(2,000,000)	-	-	-	-
Executives								
Scott Rauschenberger	-	-	-	-	-	-	-	-
Simon Robertson	-	-	-	-	-	-	-	-

9. Movements in shares

	Held at 1 July 2015	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2016
Directors						
Paul Burton	13,249,999	-	-	-	-	13,249,999
Geoffrey Crow	6,870,538	-	166,666	-	-	7,037,204
Rex Turkington	7,721,333	-	166,666	-	-	7,887,999
Michael Evans	4,619,048	-	-	-	(4,619,048)(i)	-
Jianrong Xu	-	-	-	-	-	-
Zhigang Wang	58,708,643	-	2,000,000	-	(60,708,643)(ii)	-
Executives						
Scott Rauschenberger	2,537,112	-	-	-	-	2,537,112
Simon Robertson	2,250,000	-	-	-	-	2,250,000

(i) Mr Evans resigned as Acting Chairman on 4 December 2015
(ii) Mr Wang resigned as Non-executive director on 30 November 2015.

REMUNERATION REPORT - audited (continued)

10. Other transactions with key management personal

Key management persons, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operating policies of those entities.

Some of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personal related entities on an arms length basis.

The audited remuneration report ends here.

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
Paul Burton	13,249,999	-
Geoffrey Crow	7,037,204	-
Rex Turkington	7,887,999	-

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 unlisted options
6 June 2017	$0.150	4,500,000
4 January 2017	$0.150	1,000,000

Shares issued on exercise of options

There are no amounts unpaid on the shares issued.

LIKELY DEVELOPMENTS

The Group will continue to develop its Northern Territory exploration portfolio whilst advancing its Mount Peake Vanadium-Titanium-Iron 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.

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.

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 $14,090 (2015: $14,065) exclusive of GST.

EVENTS SUBSEQUENT TO REPORTING DATE

Davis Samuel judgement – appeals against TNG and Commonwealth dismissed

On 1 July 2016 TNG announced that the ACT Court of Appeal dismissed an appeal by several parties in relation to 2013 and 2014 judgements against them in favour of TNG and the Commonwealth.

TNG Advances Titanium Off-take and marketing strategy with appointment of global consulting firm

On 21 July 2016 TNG announced that it has signed a long-term strategic agreement with a leading global titanium dioxide (TiO2) and mineral sands consulting firm, TiPMC Solutions LLC, to progress the marketing and off-take strategies for the titanium products from its Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory.

Demerger and IPO proposal for TNG's non-core base and precious metal assets, NT

On 25 July 2016 TNG Limited advised that it will convene a shareholder meeting to re-approve the demerger of its non-core portfolio of zinc, copper and base metal assets in the Northern Territory.

TNG and SMS Group identify up to $50m per annum operating cost savings at Mount Peake

On 1 August 2016 TNG announced that in conjunction with its strategic partner, leading global engineering group SMS group GmbH, it has identified potentially transformational capital and operating cost savings for Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory.

Postponement of General Meeting – Todd River Resources

On 7 September 2016 TNG provided shareholders with formal notice of the postponement of the General Meeting scheduled for 20 September 2016 in accordance with the Company's constitution. All other matters in relation to the proposal are continuing.

ROUNDING

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that class order, amounts in the consolidated statements and directors report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NON AUDIT SERVICES

KPMG, the Group's auditor, did not provide any non-audit services during the year.

AUDITOR INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 29 of the financial report and forms part of the Directors' report for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Paul Burton
Managing Director
07 September 2016

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 2016 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

KPMG

Trevor Hart

Partner

Perth

7 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Other income		-	69
Gain on sale of plant and equipment		6	-
Total income		6	69
Corporate and administration expenses	6(b)	(2,947)	(3,119)
Employment expenses	6(c)	(1,115)	(1,321)
Depreciation and amortisation expenses		(96)	(98)
Impairment loss on exploration	13	(3,112)	(668)
Results from operating activities		(7,264)	(5,137)
Financial income	6(a)	125	124
Financial expenses	6(a)	-	(8)
Net financing income		125	116
Loss before income tax		(7,139)	(5,021)
Income tax expense	8	-	-
Loss for the year attributable to the owners of the Company		(7,139)	(5,021)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the value of available for sale financial assets		(35)	79
Tax effect on other comprehensive income			-
Other comprehensive loss for the year		(35)	79
Total comprehensive loss for the year attributable to the owners of the company		(7,174)	(4,942)
Loss per share (cents per share)			
Basic (loss) per share (cents)	9	(1.00)	(0.83)
Diluted (loss) per share (cents)	9	(1.00)	(0.83)

The Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position
As at 30 June 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	11	7,167	5,157
Trade and other receivables	12	222	487
Prepayments		77	67
Available for sale investments		46	81
Total current assets		7,512	5,792
Non-current assets			
Plant and equipment		119	125
Exploration and evaluation expenditure	13	24,684	24,020
Total non-current assets		24,803	24,145
Total assets		32,315	29,937
Current liabilities			
Trade and other payables	14	761	872
Provisions	15	309	187
Total current liabilities		1,070	1,059
Non-current liabilities			
Other payables	14	260	-
Total non-current liabilities		260	-
Total liabilities		1,330	1,059
Net assets		30,985	28,878
Equity			
Issued capital	16	64,944	56,147
Reserves		44	79
Accumulated losses		(34,003)	(27,348)
Total equity		30,985	28,878

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 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash payments in the course of operations		(2,970)	(4,056)
Interest received		123	127
Net cash used in operating activities	21	(2,847)	(3,929)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		6	-
Payments for plant and equipment		(90)	(36)
Payments for exploration and evaluation expenditure		(5,745)	(6,131)
Research and development rebate		1,889	1,276
Security deposits refunded/(paid)		-	60
Net cash used in investing activities		(3,940)	(4,831)
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options	16(a)	8,812	10,514
Share issue costs		(15)	(599)
Net cash received from financing activities		8,797	9,915
Net increase in cash and cash equivalents		2,010	1,155
Cash at the beginning of the financial year		5,157	4,002
Cash and cash equivalents at the end of the financial year	11	7,167	5,157

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 2016

	Issued Capital $'000	Accumulated loss $'000	Fair value reserve $'000	Total Equity $'000
At 1 July 2014	46,232	(23,125)	-	23,107
Loss for the year	-	(5,021)	-	(5,021)
Other comprehensive income	-	-	79	79
Total comprehensive income	-	(5,021)	79	(4,942)
Transactions with owners recorded directly in equity				
Share placement	9,544	-	-	9,544
Share purchase plan				
Share issue costs	(599)	-	-	(599)
Options exercised	804	-	-	804
Share based payments expense	-	798	-	798
Loan funded share plan – loan repayment	166	-	-	166
At 30 June 2015	56,147	(27,348)	79	28,878
At 1 July 2015	56,147	(27,348)	79	28,878
Loss for the year	-	(7,139)	-	(7,139)
Other comprehensive income	-	-	(35)	(35)
Total comprehensive income	-	(7,139)	(35)	(7,174)
Transactions with owners recorded directly in equity				
Share placement	4,040	-	-	4,040
Share issue costs	(15)	-	-	(15)
Share based payments expense	-	484	-	484
Loan funded share plan – loan repayment	528	-	-	528
Options exercised	4,244	-	-	4,244
At 30 June 2016	64,944	(34,003)	44	30,985

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.

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 2016 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. The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 and in accordance with that class order, amounts in the consolidated statements and directors report have been rounded off to the nearest thousand dollars ($000), unless otherwise stated.

(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.

2 BASIS OF PREPARATION (CONTINUED)

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 13.

ii. Share based payments

The share based payments are recognised in accordance with the Company's accounting policy (refer note 3(i)(i)) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) 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) Investment in joint operations

A joint operation is an arrangement in which partners with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, all of its assets, liabilities, reserves must be recognised, including its relevant share of jointly controlled assets, liabilities, revenue and expenses.

(b) 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.

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 reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrecognised deferred income tax assets are reassessed at each reporting 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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

(i) Revenues, expenses and assets are recognised net of the amount of GST except 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 on 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)(ii).

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(ii) 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 aquire shares of the Company. Employees have been given a limited recourse 5 year interest free loan in which to aquire 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 deducted against capitalised exploration and evaluation expenditure. 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.

(o) New Australian Accounting standards and interpretations issued but 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 2015, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

(i) AASB 9 *Financial Instruments*:
This standard includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.
An assessment of the Group's financial assets and liabilities was performed to determine whether the change in standard would affect the classification and measurement of financial instruments currently held. The new standard is not expected to impact the measurement of TNG' financial assets and liabilities. Additional disclosure requirements will be incorporated on adoption of the standard.
The standard is effective from for annual reporting periods beginning or after 1 January 2018 with early adoption permitted.

(ii) AASB 15 Revenue from Contracts with Customers
The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.
The standard is effective from for annual reporting periods beginning or after 1 January 2018 with early adoption permitted.

(iii) AASB 16 Leases
AASB 16 removes the classification of leases as either operating leases or financial leases for the lessee effectively treated all leases as finance leases. Short-term leases (less than 12 months) and leases of low value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Changes in accounting policy

TNG has adopted all of the new and revised Accounting Standards and Interpretations issued by the AASB that are relevant and effective for reporting periods beginning on or after 1 July 2015. The Group applied for the first time AASB 2015-3: Withdrawal of AASB 1031 Materiality. Other amendments apply for the first time in 2016 however they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of the new amendment is described below:

(i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*
Completion of AASB project to remove Australian guidance on materiality from AASBs with the issue of the final amending standard to effect the withdrawal of AASB 1031 *Materiality.* Guidance on materiality located in AASB 101 *Presentation of Financial Statements* going forward. Application of AASB 1031 *Materiality* have had no significant impact to the financial statements of the Group.

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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. Cash and cash equivalents are held with Australian banks rated AA- by Standard & Poor's.

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:

		Consolidated Carrying amount	
	Note	**2016 $'000**	**2015 $'000**
Trade and other receivables	12	222	487
Cash and cash equivalents	11	7,167	5,157
		7,389	5,644

None of the Group's trade and other receivables are past due (2015: nil).

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 2016

	Note	Carrying amount $'000	Contractual cash flows $'000	<3 months $'000
Trade and other payables	14	1,021	1,021	1,021
		1,021	1,021	1,021

30 June 2015

		Carrying amount $'000	Contractual cash flows $'000	<3 months $'000
Trade and other payables	14	872	(872)	(872)
		872	(872)	(872)

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.

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 instrument's 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.

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:

		Consolidated	
		Carrying amount	
	Note	2016	2015
		$'000	$'000
Variable rate instruments			
Cash and cash equivalents	11	1,167	3,157
Fixed rate instruments			
Cash and cash equivalents	11	6,000	2,000
Security deposits	12	141	141
		6,141	2,141

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 $11,670 (2015: $31,571)

Sensitivity analysis

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.

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

	Note	Consolidated 2016 $'000	2015 $'000
(a) Net financial income			
Interest income		125	124
Finance income		125	124
Interest expense		-	(8)
Finance expense		-	(8)
Net finance income		125	116
(b) Corporate and Administration expenses			
Travel and accommodation		488	408
Directors fees		215	250
Legal fees		402	286
Promotional		389	303
Contractors and consultancy		422	496
Occupancy		313	290
Occupancy on-charges		(131)	(153)
Legal judgment and provision – Davis Samuel		328	695
Other		521	544
Total Corporate and Administration		2,947	3,119

The Group invoiced other parties $131,000 (2015: $153,000) for the reimbursement of office costs during the year and incurred $218,931 (2015: $214,000) in operating lease expenses.

	Note	2016 $'000	2015 $'000
(c) Employment expenses			
Wages and salaries[1]		548	467
Other associated personnel expenses		4	7
Increase in liability for long service leave		38	12
Contributions to defined contribution plans		41	37
Equity settled share- based payment transaction	22	484	798
Total Employment expenses		1,115	1,321

[1]Total Wages and Salaries incurred during the year including amounts capitalised to exploration and evaluation was $1,383,768 (2015: $1,343,000).

7 AUDITORS' REMUNERATION

	Consolidated 2016 $	2015 $
Auditors of the Group		
KPMG Australia:		
Audit and review of financial reports	48,140	49,340
	48,140	49,340

8 INCOME TAX

	Consolidated 2016 $'000	2015 $'000
A reconciliation between tax expense and pre-tax loss:		
Accounting (loss) before income tax	(7,139)	(5,021)
At the domestic tax rate of 30% (2015: 30%)	(2,142)	(1,506)
Reconciling items		
Share-based payments – non deductible for income tax purposes	145	239
Other non-deductible expenses	110	231
Adjustment for prior year	1,171	456
Tax losses and temporary differences not brought to account	716	580
Accounting expenditure subject to research and development claim	-	-
Income tax expense reported in the income statement	-	-
Unused tax losses	43,126	38,410
Potential tax benefit @ 30%	12,938	11,523
Tax losses offset against tax liabilities	(6,574)	(6,422)
Unrecognised tax benefit	6,364	5,101
Reconciliation of income tax expemse		
Current tax expense	-	-
Other comprehensive income	-	-
	-	-

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

Statement of financial posistion	Consolidated 2016 $'000	2015 $'000
Deferred income tax relates to the following:		
Deferred Tax Liabilities		
Exploration and evaluation assets	6,691	6,493
Other		-
Deferred Tax Assets		
Other	(117)	(71)
Brought forward tax losses offset against deferred tax liabilities	(6,574)	(6,422)
	-	-

8 INCOME TAX (CONTINUED)

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(b).

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 2016 was based on the loss attributable to ordinary shareholders of $7,139,305 (2015: loss $5,021,000) and a weighted average number of ordinary shares on issue during the year ended 30 June 2016 of 711,116,707 (2015: 604,017,778).

Loss attributable to ordinary shareholders

	2016 $'000	2015 $'000
(Loss) for the period	(7,139)	(5,201)
(Loss) attributable to ordinary shareholders	(7,139)	(5,201)

Weighted average number of ordinary shares

	2016 Numbers	2015 Numbers
Number of ordinary shares at 1 July	660,926,706	553,998,647
Effect of shares issued	50,190,001	50,019,131
Weighted average number of ordinary shares at 30 June	711,116,707	604,017,778

Effect of dilutive securities

TNG's potential ordinary shares at 30 June 2016, being its options, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

At balance date the Group has options which were not yet exercised as per note 16.

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 2016 $'000	2015 $'000
Cash at bank	1,167	3,157
Short term deposits	6,000	2,000
	7,167	5,157

12 TRADE AND OTHER RECEIVABLES

	Consolidated 2016 $'000	2015 $'000
Current		
Trade receivables	-	45
Other receivables	5	3
Short term security deposits	141[1]	141
GST receivables	76	298
	222	487

[1]*Bank short term deposits maturing 3 months 28 days are paying interest at a weighted average interest rate of 3.13% (2015: 2.92%).*

13 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2016 $'000	2015 $'000
Cost		
Balance at 1 July	24,020	19,390
Exploration and evaluation expenditure	5,665	6,574
Research and development rebate	(1,889)	(1,276)
Impairment	(3,112)	(668)
Balance at 30 June	24,684	24,020
Exploration expenditure capitalised during the year		
Drilling and exploration	1,445	1,655
Feasibility and evaluation	4,220	4,919
Total exploration expenditure	5,664	6,574

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 $24,683,336 of which $4,486,634 is attributable to the entity's Manbarrum project, $17,479,449 attributable to the Mount Peake project and the balance relating to Cawse Extended and other current exploration programs.

NT Base Metal Assets - Impairment

Management has announced that it intends to demerge and IPO TNG's Non-Core Base and Precious Metal tenements in the Northern Territory collectively known as the "NT Base Metal Assets". As a result management reassessed the carrying value of the NT Base Metal Assets during the period against a valuation report provided by independent consultants resulting in the impairment of the NT Base Metal Assets by $3,112,084 to $7,000,000. The basis of valuation is using a combination of exploration potential as supported by the modified Kilburn approach and analysis of comparable market transactions.

14 TRADE AND OTHER PAYABLES

	Consolidated 2016 $'000	2015 $'000
Current		
Trade payables	306	729
Other payables	455	143
	761	872
Non-current		
Other payables	260	-

Trade payables are normally settled on a 30-day basis.

15 PROVISIONS

	Consolidated 2016 $'000	2015 $'000
Employee provisions		
Current		
Annual leave	178	93
Long-service leave	131	94
	309	187
Balance at 1 July	187	146
Net provisions recognised/(used) during the year	122	41
Balance at 30 June	309	187

16 CAPITAL

	Consolidated 2016 $'000	2015 $'000
Issued and paid-up share capital	64,944	56,147

(a) Movements in shares on issue

	2016		2015	
	Number	$'000	Number	$'000
Balance at the beginning of year	660,926,706	56,147	553,998,647	46,232
Share placement	36,727,272	4,040	84,053,338	9,544
Options exercised	53,618,735	4,244	9,274,721	804
Employee, director and consultant shares	500,000[1]	-	13,600,000	-
Loan funded shares loan – proceeds	-	528	-	166
Share issue costs	-	(15)	-	(599)
Balance at end of year	751,772,713	64,944	660,926,706	56,147

[1] 500,000 shares were issued to consultants in lieu of services rendered.

16 CAPITAL (CONTINUED)

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

		Number at end of year	
Expiry Date	**Exercise Price**	**2016**	**2015**
26 November 2015 (unlisted)	$0.235	-	1,600,000
26 November 2016 (unlisted)	$0.057	-	4,000,000
6 June 2017 (unlisted)	$0.150	4,500,000	4,500,000
4 January 2017 (unlisted)	$0.150	1,000,000	1,000,000
31 July 2015 (listed)	$0.080	-	52,242,011

Please refer to note 22 for the details of options on issue.

Terms and conditions of options
Share options carry no rights to dividends and no voting rights.

(c) Dividends

No dividends were declared or paid during the 2016 financial year.

	Consolidated	
Dividend franking account	**2016 $'000**	**2015 $'000**
30% franking credits available to shareholders of TNG for subsequent financial years	751	751

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.

17 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	
	2016 $'000	2015 $'000
Exploration commitments payable not provided for in the financial report:		
Within one year	1,142	1,727
Operating lease commitments		
Operating lease commitments comprise premises and office equipment and are payable as follows:		
Within one year	98	216
Between one year and 5 years	94	19
	192	235

The Group leases its corporate head office under a 2 year operating lease. The Group also has minor leases for storage facilities and office equipment.

18 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	
	2016 $'000	2015 $'000
Guarantees		
A guarantee has been provided to support unconditional environmental performance bonds	55	55
Total estimated contingent liabilities	55	55

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 2016.

18 CONTINGENT LIABILITIES (CONTINUED)

Constructive Trust Claim – Davis Samuel

Resolution of matters arising from 1998.

The judgement in favour of TNG was handed down on 21 November 2014 in relation to the long-running legal matter between the Commonwealth and Davis Samuel which included charges in favour of TNG over property owned by certain other defendants with a total value of $261,059.01. TNG had also recovered $68,655.36 from one of the other defendants, who did not appeal the findings in the case.

In November 2015, TNG agreed with the Commonwealth that it would satisfy the Commonwealth's costs of the trial by assigning the charges it holds over the property to the Commonwealth and paying to the Commonwealth the sum of $68,655.36 received. In return, the Commonwealth completely discharged and released TNG from any claims in respect to costs.

On 30 June 2016, Burns J of the ACT Court of Appeal dismissed an appeal by several parties in relation to 2013 and 2014 judgments against them in favour of TNG and the Commonwealth. This means that TNG's involvement in these long running proceedings is over subject to any further appeals by those parties.

TNG holds unsatisfied judgment for considerable sums against those parties but their ability to satisfy those debts is very doubtful.

19 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 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.

	Consolidated	
	2016 $'000	**2015 $'000**
Statement of Comprehensive Income and retained earnings		
Profit/(loss) before income tax	(7,110)	(4,539)
Share based payments	484	798
Movement in retained earnings	(6,626)	(3,741)
Retained earnings at beginning of year	(26,866)	(23,125)
Retained earnings at end of year	(33,492)	(26,866)

19 DEED OF CROSS GUARANTEE (CONTINUED)

Statement of Financial Position	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash assets	7,163	5,139
Trade and other receivables	222	485
Prepayments	77	67
Other investments	46	81
Total current assets	7,508	5,772
Plant and equipment	119	125
Intercompany loan	6,413	6,136
Exploration and evaluation expenditure	18,673	18,294
Total non-current assets	25,205	24,555
Total assets	32,713	30,327
Trade and other payables	648	873
Provision	309	94
Total current liabilities	957	967
Other creditors	260	-
Total non-current liabilities	260	-
Total liabilities	1,217	967
Net assets	31,496	29,360
Issued capital	64,944	56,147
Reserves	44	79
Retained earnings	(33,492)	(26,866)
Total equity	31,496	29,360

20 CONSOLIDATED ENTITIES

Subsidiaries	Country of Incorporation	2016 % of Ownership	2015 % 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
Todd River Resources Limited	Australia	100	100
Todd River Metals Pty Ltd[2]	Australia	100	100
TNG Gold Pty Ltd	Australia	100	100
TIVAN Technology Pty Ltd	Australia	100	-

[1] Direct subsidiary of Enigma Limited
[2] Direct subsidiary of Todd River Resources Limited

21 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of cash flows from operating activities

	Consolidated	
	2016 $'000	**2015 $'000**
Net profit/(loss) for the period	(7,139)	(5,021)
Add/(less) non-cash items:		
Depreciation and amortisation	96	98
Share based payments	484	798
Gain on sale of plant and equipment	(6)	-
Impairment of exploration costs	3,112	668
	(3,453)	(3,457)
Change in assets and liabilities:		
Change in current payables and provisions	572	(476)
Change in current receivables	34	4
Net cash used in operating activities	(2,847)	(3,929)

22 EMPLOYEE BENEFITS

Defined contribution superannuation funds

The Group made contributions to the employees nominated superannuation funds. The amount recognised as an expense was $41,000 for the financial year ended 30 June 2016 (2015: $37,000).

Share-based payments

During the year the following shares and options were issued:

Details of shares and options in the Company that were granted 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
1	Shares granted to consultants in lieu of services on 20 June 2016	500,000	-	-

Instruments issued during the period

a) Listed shares and options issued to consultants

500,000 listed shares were issued to consultants in lieu of services rendered. Their fair value was equal to their market value on the date of grant of $0.15.

22 EMPLOYEE BENEFITS (CONTINUED)

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 2016 $'000	Consolidated 2015 $'000
Shares and options granted in 2015 equity settled		409	798
Shares granted in 2016 equity settled		75	-
Total expense/(income) recognised as employee expenses	6(c)	484	798

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

	Consolidated Weighted average exercise price 2016 $	Number of options 2016	Weighted average exercise price 2015 $	Number of options 2015
Outstanding at 1 July	0.129	11,100,000	0.140	11,500,000
Expired during the period	0.136	(3,600,000)	0.235	(1,000,000)
Exercised during the year	0.057	(2,000,000)	0.235	(400,000)
Granted during the period	-	-	0.150	1,000,000
Outstanding during the period	0.150	5,500,000	0.129	11,100,000
Exercisable at 30 June	0.150	5,500,000	0.129	11,100,000

The options outstanding at 30 June 2016 have an exercise price of $0.150 and a weighted average contractual life of 0.86 years. (2015: 1.35 years)

Options granted to Directors are disclosed in the remuneration report.

23 RELATED PARTIES

(a) Compensation of key management personnel

Key management personnel compensation comprised the following:

Compensation by category

	Consolidated 2016 $'000	Consolidated 2015 $'000
Key Management Personnel		
Short-term	1,235	1,054
Post-employment	61	55
Share-based payments	276	604
	1,573	1,713

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.

23 RELATED PARTIES (CONTINUED)

(b) Other transactions with key management personnel

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personal related entities on an arms length basis.

During the year consulting fees were paid to Katrina Corporation Pty Ltd $50,400 (2015: $13,000) and Salaris Consulting Pty Ltd $5,000 (2015: $0) of which Rex Turkington and Stuart Crow are related parties respectively.

None was outstanding at 30 June 2016 (2015: $0).

24 INTEREST IN JOINT OPERATIONS

Joint venture operations

Joint operations	Joint venture	Principal activities	Consolidated			
			Interest		Exploration expenditure	
			2016 %	2015 %	2016 $	2015 $
Mesmeric Enterprises Pty Ltd	Cawse Extended	Nickel/Cobalt	20.00	20.00	-	-

Exploration expenditure represents direct expenditure incurred by the Group.

25 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2016 the parent entity of the Group was TNG Ltd.

	2016 $'000	2015 $'000
Current assets	7,356	5,198
Non-current assets	30,087	26,599
Total assets	37,443	31,797
Current liabilities	492	397
Non-current liabilities	260	-
Total liabilities	752	397
Issued capital	64,944	56,147
Retained earnings	(28,297)	(24,826)
Fair value reserve	44	79
Total shareholders' equity	36,691	31,400
Profit or loss of the parent entity	(3,954)	(4,091)
Total comprehensive income/(loss) of the parent entity	(3,954)	(4,012)

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 19 for details.

25 PARENT ENTITY INFORMATION (CONTINUED)

Operating lease commitments	**2016 $'000**	**2015 $'000**
Operating lease commitments are payable as follows:		
Within one year	98	216
Between one year and 5 years	94	19
	192	235

For contingent liabilities in relation to the parent entity, please refer to note 18.

26 EVENTS SUBSEQUENT TO BALANCE DATE

Davis Samuel judgement – appeals against TNG and Commonwealth dismissed

On 1 July 2016 TNG announced that the ACT Court of Appeal dismissed an appeal by several parties in relation to 2013 and 2014 judgements against them in favour of TNG and the Commonwealth.

Demerger and IPO proposal for TNG's non-core base and precious metal assets, NT

On 25 July 2016 TNG Limited advised that it will convene a shareholder meeting to re-approve the demerger of its non-core portfolio of zinc, copper and base metal assets in the Northern Territory.

Postponement of General Meeting – Todd River Resources

On 7 September 2016 TNG provided shareholders with formal notice of the postponement of the General Meeting scheduled for 20 September 2016 in accordance with the Company's constitution. All other matters in relation to the proposal are continuing.

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 19 to 26, 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 2016 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 20 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 2016.

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 7 September 2016

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 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 26 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*.

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 2016 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 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth

7 September 2016