

# ANNUAL REPORT 2018



# **TNG Limited**

## **Corporate Directory**

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### **DIRECTORS**

Paul Burton	(Managing Director)
Rex Turkington	(Interim Chairman and Non-Executive Director)
John Davidson	(Non-Executive Director)
Greg Durack	(Non-Executive Director)

### **COMPANY SECRETARY**

Simon L. Robertson

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### **AUDITORS**

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### **DOMESTIC STOCK EXCHANGE**

Australian Securities Exchange (ASX)  
Code: TNG

### **INTERNATIONAL STOCK EXCHANGE**

German Stock Exchanges  
Code: HJI

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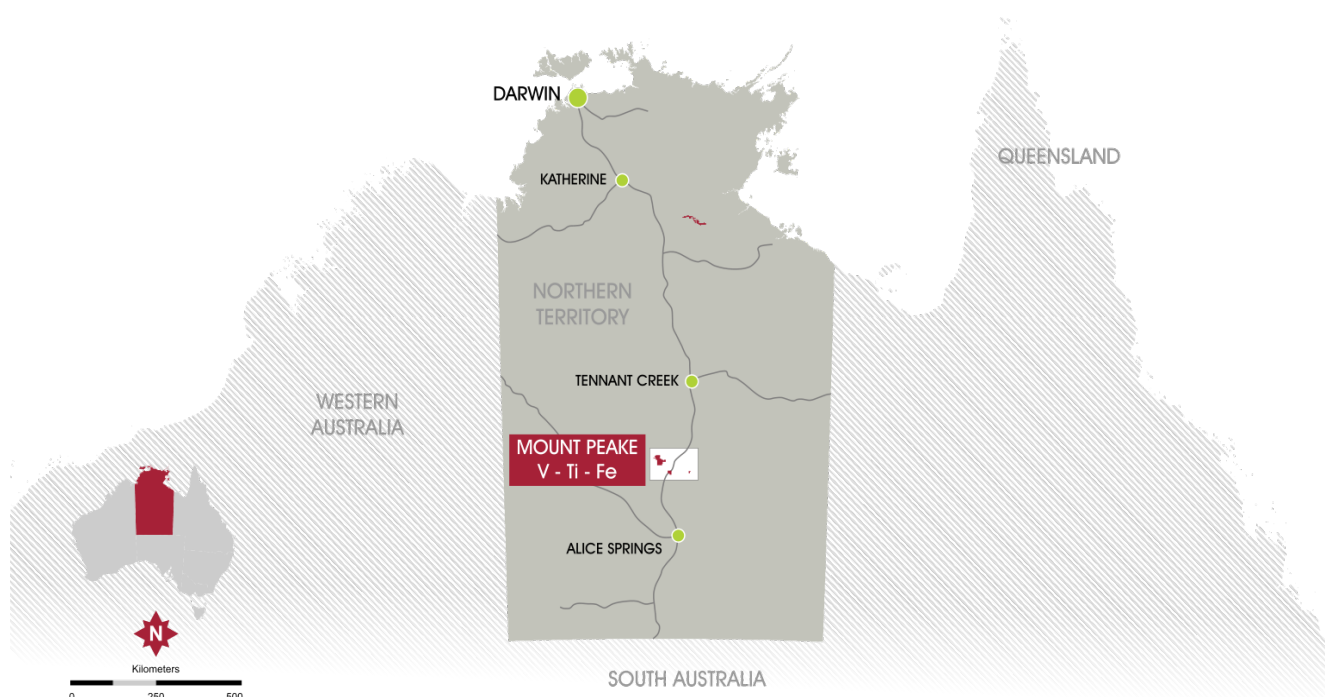
### **2018 HIGHLIGHTS – YEAR IN REVIEW**

#### **MOUNT PEAKE VANADIUM-TITANIUM-IRON PROJECT, NT (TNG: 100%)**

- Updated Feasibility Study (FS) and Financial Model for the Mount Peake Project completed, confirming a robust business case for project development. The results reconfirmed and enhanced the key outcomes reported in the 2015 Definitive Feasibility Study (DFS).
- Key highlights of the updated FS included a 12% reduction in pre-production CAPEX to A\$853 million, forecast life-of-mine net cash-flow of A\$11.7 billion, a pre-tax NPV<sub>8%</sub> of A\$4.7 billion and a reduced capital payback period of three years.
- The completion of the updated FS and Financial Model marked the culmination of an extensive body of work completed over the past 18 months in conjunction with the Company's strategic development partner, SMS Group, Como Engineers and METS Engineering. This work included optimisation test work and completion of the Mine Site beneficiation flowsheet by Como Engineers and completion of the final processing flowsheet by SMS group.
- Both Territory and Federal environmental approvals were received during the year, with the NT Environmental Protection Authority (NTEPA) providing an approved Assessment Report for the project, completing the Environmental Impact Assessment (EIA) process. Federal Government environmental approval was subsequently granted under the *Environment Protection and Biodiversity Conservation Act 1999 (Cth)*.
- TNG has subsequently commenced work to finalise its Mine Management Plan (MMP) incorporating the recommendations made by the NTEPA from the EIA, marking the beginning of the all-important transition to a mining project and clearing the way for financing and site-based construction to commence.
- The Mining Agreement with the Traditional Owners and the Central Land Council (CLC) was finalised for the Mount Peake Mine. Grant of the Mining Lease is expected to occur as final Mining Agreement has been formally executed.
- Strategic co-operation agreement signed with leading construction and contracting groups McMahon Services and Clough Projects to provide key engineering, procurement and construction services (EPC) services at Mount Peake. Leading Australian engineering group Como Engineers appointed as lead consultant to oversee construction of the Mount Peake beneficiation plant and key infrastructure.
- Patent coverage for TNG's proprietary TIVAN® Process for the extraction and recovery of high-purity vanadium extended to the USA and Russia, with further approvals for the EU, Vietnam, China and Canada in progress.
- Agreement signed with Energy Made Clean, a wholly-owned subsidiary of Carnegie Clean Energy (ASX: CCE), to assess alternative power options for Mount Peake, including an evaluation of on-site renewable energy options for the Mount Peake mine and Darwin refinery sites.
- During the reporting period the company achieved a technological breakthrough for its proposed Titanium Process. TNG's new process has confirmed the potential for the Company to directly use its TIVAN® titanium feedstock for the production of a high-grade TiO<sub>2</sub> pigment, without any further upgrading treatment process. TNG's process uses a modified and improved version of the current main commercial TiO<sub>2</sub> sulphate route for pigment production.

#### CORPORATE

- \$3.911M capital raising completed with a number of leading Australian institutional investors joining the Company's share register. The proceeds further strengthened TNG's balance sheets as it advances pre-development activities at Mount Peake including progressing final off-take agreements and final engineering and design and working towards securing the overall funding package. In addition, during the period 364,841 options were converted raising \$70,414 of TNGO listed options (\$0.193) by shareholders.
- Accomplished Australian mining executive Greg Durack joined the TNG board as a non-executive Director. Mr Durack was a key member of the senior development team at lithium miner Pilbara Minerals Ltd (ASX: PLS) and a former CEO of Jupiter Mines Ltd (ASX: JMS).
- Highly experienced corporate professional Jason Giltay was appointed to the position of General Manager – Commercial as the Company continues to build up its in-house corporate development team.
- Heads of Agreement signed with BBI Group Pty Ltd, a subsidiary of the diversified New Zealand-based conglomerate Todd Corporation, to evaluate the application of TNG's proprietary TIVAN® hydrometallurgical process on BBI's Balla Balla Vanadium-Titanium-Iron Project in WA and assess potential commercial options.
- Further strong performance in strategic metals pricing across TNG's forecast commodity suite during the year:
  - **Vanadium pentoxide** prices have risen strongly over the past year, increasing from a low of US\$5/lb in early 2017 to a price of approximately US\$17/lb (US\$40,000/t) by financial year-end;
  - **Ferro-Vanadium** prices reached levels not seen since 2005, increasing to a price of approximately US\$80/kg (US\$80,000/t) by financial year-end; and
  - **Titanium dioxide pigment** prices increased by approximately 20% over the course of the year, reaching a price of around US\$3,200/t by financial year-end.
- Full amount of Research & Development refund claim for the 2016-17 financial year totalling \$1.73M received before costs.
- Sale Agreement finalised with Joint Venture Partner Rio Tinto Exploration Pty Ltd for the sale of TNG's 100%-owned Melville Island exploration licence application, encompassing a cash payment of \$80,000 plus a 2% Net Smelter Royalty.
- Cash reserves of \$5.73M at financial year-end.



## SUMMARY

TNG's focus throughout the 2018 Financial Year remained on the advancement of its flagship 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory. During the year, significant progress was made across the number of areas, including project approvals, the completion of an updated Feasibility Study (including an updated processing flowsheet), capital cost estimates and financial projections, the continued development of the Company's titanium business, and securing strategic partnerships for engineering procurement and construction and ongoing discussions to secure a suitable project financing package.

### 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<sub>2</sub>O<sub>5</sub>, 5.3% TiO<sub>2</sub> and 23% Fe (refer to Table 1 on page 5 of this report for a full Statement of the Mineral Resource), Mount Peake is one of the largest undeveloped vanadium-titanium-iron projects in the world.*

*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 Feasibility Study on the Mount Peake Project in July 2015. Results of the DFS were provided in full in the Company's June 2015 Quarterly Report.*

# TNG Limited

## Review of Operations

### Updated Feasibility Study and Financial Model

During the reporting period, TNG completed an updated Feasibility Study (FS) and Financial Model for the Mount Peake Project. The results of the FS reconfirm and enhance the outcomes reported in the Definitive Feasibility Study (DFS) completed in 2015 (see ASX Announcement 31 July 2015), reinforcing the robust business case for the Mount Peake Project against the backdrop of a much stronger commodity environment – paving the way for TNG to secure a an attractive and competitive funding package for the project's development.

The updated FS results are summarised in Table 1 below:

**Table 1 – Updated Feasibility Study results as at November 2017**

	Updated FS, November 2017	DFS, July 2015
Pre-production CAPEX (Stage 1 infrastructure, mine site, concentrator, process plant)	A\$853 million	A\$970 million
Pre-tax IRR	44%	41%
Pre-tax NPV <sub>8%</sub>	A\$4.7 billion	A\$4.9 billion
Pre-tax NPV <sub>10%</sub>	A\$3.8 billion	A\$4.0 billion
Pre-tax NPV <sub>12%</sub>	A\$3.1 billion	A\$3.3 billion
Pre-tax net annual average cash-flow	A\$738 million	A\$785 million
Life-of-mine net cash-flow	A\$11.7 billion	A\$11.6 billion
Total Operating costs <sup>2</sup>	A\$185 per tonne of ore processed	A\$167 per tonne of ore processed
Payback	3 years	4 years

<sup>1</sup>Updated Feasibility Study assumptions include long-term A\$/US\$ exchange rate of 0.75; updated long-term price assumptions of US\$22,400/tonne for V<sub>2</sub>O<sub>5</sub> (US\$10.00/lb), US\$3,500.00/t TiO<sub>2</sub> pigment and US\$410.00/tonne for Pig Iron. All other key physical parameters including mining and processing rates remain unchanged. <sup>2</sup>Includes BOOT (Build-Own-Operate-Transfer) repayments

The updated FS achieved a new pre-production Capital Expenditure (CAPEX) of A\$853 million, representing a significant decrease of A\$117 million from the 2015 DFS CAPEX of A\$970 million, due primarily to the optimisations achieved during the past 18 months.

The financial model has shown an increase in the Project's pre-tax internal rate of return (IRR) to 44% (up from 41%), with only a moderate increase in forecast Operating Expenditure (OPEX) from A\$167 to a\$185 per tonne of ore processed and a reduced payback period of 3 years.

The completion of the updated FS and Financial Model marked the culmination of an extensive body of work completed over the past 18 months in conjunction with the Company's strategic development partner, SMS Group, Como Engineers and METS.

This work also included substantial additional variability test work overseen by Como Engineers in Perth on the TIVAN® flowsheet and mine site beneficiation flowsheet, a number of important enhancements to the TIVAN® flowsheet from work undertaken by the SMS Group, and further technical de-risking measures.

Details of the Optimisation Studies completed as part of the updated FS – including the updated Concentrator flowsheet finalised by Como Engineers, the updated and optimised flowsheet for the TIVAN® processing plant, the updated FS assumptions, details of the proposed BOOT arrangements for the TIVAN® facility, a revised mine schedule, and revised capital and operating cost estimates – are available from the Company's ASX Announcement dated 20 November 2017 ("Updated Feasibility Study and Financial Model Confirms Robust Business Case for Development of Mount Peake Vanadium-Titanium-Iron Project", ASX – 20 November 2017).

### **Project Approvals**

#### *Environmental Impact Statement*

The Mount Peake Project comprises a mine and processing facility to be located at Mount Peake, approximately 235km north-west of Alice Springs, and the Darwin TIVAN® Process Plant, to be located at the Middle Arm Industrial Precinct, 16km south-east of Darwin. Environmental approvals for the mine and plant 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 Darwin plant were referred separately to the NTEPA, 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 Darwin plant were also separately referred to 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.

#### *Federal Environmental Approval*

On 11 May 2018, the Federal Minister for Environment and Energy, the Hon Josh Frydenberg, granted environmental approval for the mine site component of the Mount Peake Project, subject to implementation conditions. The key approval was granted in accordance with and for the purpose of certain provisions of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) and marks the completion of the Environmental Impact Assessment process for the mine site component of the Mount Peake Project.

The receipt of Federal environmental approval represents completion of the key permitting process for the Mount Peake Project to proceed (subject to finalisation of offtake and funding arrangements), and signals that it is ready to progress to the next stage of mining approval under the Mining Management Act (NT).

In order to complete this process, TNG has commenced work to finalise its Mine Management Plan, incorporating the recommendations made by the NTEPA, as outlined in their assessment report.

#### *Mining Lease Application*

The Company has submitted a Mining Lease (ML) application and ancillary ML applications to the Northern Territory Government for the Mount Peake Project.

Under Northern Territory legislation, Traditional Owner groups are required to enter into a Binding Mining Agreement with the Company before the ML is granted. The Mount Peake Project falls within the jurisdiction of the Central Land Council (CLC). TNG and its lawyers have been working with the CLC on the Mining Agreement for the past 12 months and this agreement was finalised paving the way for the MLs to be granted by the Northern Territory Government.

#### *TIVAN® Processing Facility EIS*

The TIVAN® downstream processing plant is proposed to be located on an area within the Middle Arm Peninsula of Darwin Harbour. An environmental impact statement (**EIS**) is being developed separately, reflecting both the geographical separation and the fact that significantly different environmental and social issues need to be addressed at the two locations.

TNG's appointed consultant for the EIS is Perth based Animal Plant Mineral Pty Ltd (**APM**). Work is progressing on the EIS and TNG is continuing to liaise with the NTEPA and other Regulators. In addition, in April 2018 TNG commissioned APM to complete a biological survey of the proposed site to augment results from a previous survey conducted in 2017. Data collected from the biological survey will be used to assist with the EIS required



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### **Review of Operations**

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for the Mount Peake Processing Facility. The Company has also continued to assess feasible alternative sites in case of any adverse findings

#### **Technological Breakthrough for TNG's TiO<sub>2</sub> Pigment Production**

During the reporting period, TNG, together with its technical consultants, METS, SMS and CSIRO, confirmed a potential TiO<sub>2</sub> pigment process for the Mount Peake Project (see ASX announcement dated 26 February 2018).

The successful development of the new process, which is based on the conventional TiO<sub>2</sub> sulphate route, marks the culmination of extensive technical work that has been undertaken as part of the Company's ongoing strategy to maximise value from the Mount Peake Project. Importantly, it also confirms the potential pigment type for the Company's on-going titanium off-take discussions.

The success has the potential to build further on the value uplift already achieved by TNG in 2016 with the successful production (at SMS group laboratories in Vienna) of commercial-grade high-purity vanadium pentoxide and high specification vanadium electrolyte from Mount Peake (see ASX announcement dated 10 October 2016).

TNG's new process has confirmed the potential for the Company to directly use its TIVAN® titanium feedstock for the production of a high-grade TiO<sub>2</sub> pigment, without any further upgrading treatment process. TNG's process uses a modified and improved version of the current main commercial TiO<sub>2</sub> sulphate route for pigment production.

Directly using the TIVAN® titanium feedstock (which is the residue directly out of the TIVAN® process, after the vanadium and iron have been extracted), without the need for further upgrading, significantly reduces the cost and complexity of the process. The Mount Peake Project's Feasibility Study has previously incorporated upgrade steps before this process was first conceived and then tested on TIVAN® feedstock. This recent technical breakthrough has the potential to further improve the economics of TNG's Mount Peake Project, while at the same time reducing the technical complexity and environmental impact of the Project.

The TIVAN® titanium feedstock's low iron content is a significant advantage over current TiO<sub>2</sub> sulphate route feedstocks. Low-iron feedstock has the potential to minimise the environmental impact compared to a standard sulphate titanium pigment production process – an important competitive and strategic advantage for TNG.

#### **Strategic Cooperation Agreement with McMahon Services and Clough Projects**

During the reporting period, TNG signed a strategic co-operation agreement with leading construction companies McMahon Services and Clough Projects to work together to provide key engineering, procurement and construction (EPC) services for Mount Peake (see ASX announcement dated 16 March 2018).

The wide-ranging Agreement will see McMahon Services and Clough Projects together form a Joint Venture to fully review TNG's recently completed updated Definitive Feasibility Study (DFS) for Mount Peake and evaluate the preliminary construction management and procurement contracting services required for the Project in conjunction with the Company's strategic engineering partner, SMS Group.

The Agreement is aimed at advancing the relationship between the parties to a stage where TNG can make a final decision on its construction plans for the Project, as well as support the Company in obtaining a financial investment decision from its investors or financiers.

TNG updated the economics of its Definitive Feasibility Study (DFS) for Mount Peake in November 2017, confirming a world-class project capable of generating outstanding returns. Key findings of the updated DFS included life-of-mine net cash flow of \$11.7 billion, a pre-tax IRR of 44% and an NPV<sub>8%</sub> of \$4.7 billion (see ASX Announcement – 20 November 2017).

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#### **Como Engineers Appointed to Oversee Project Management of Mine Site Concentrator**

Highly-regarded Australian engineering group Como Engineers Pty Ltd has been appointed to oversee key aspects of the Mount Peake Project's construction and development (see ASX announcement dated 21 March 2018).

The appointment of Como – which has been involved in the delivery of several recent high-profile mid-tier resource projects in Australia including Arrium's Peculiar Knob Iron Ore mine in South Australia, Pilbara Minerals' Pilgangoora Project and Galaxy Resources' Mt Cattlin Project – further strengthens TNG's capabilities as it advances towards construction.

Como's global experience, combined with its team of highly competent engineers and metallurgists who have taken projects from concept to completion, will ensure that the Mount Peake Project can progress efficiently through the final engineering and study phases and into construction and operations.

#### **Project Finance**

During the reporting period, TNG held a number of meetings with the leading German Government-owned KfW IPEX-Bank GmbH (KfW), a specialist financier in export and project financing with a dedicated track record in Export Credit Agency backed financing.

KfW has provided TNG with an expression of interest to conduct further due diligence ahead of mandating for finance.

TNG hosted senior executives from KfW to high-level meetings in Perth. These meetings were attended by the KfW mining finance team and the SMS group head of finance, together with other SMS executives.

During the reporting period, TNG also appointed SMS group's Financial Services team to jointly progress due diligence with KfW for a German ECA tranche in relation to the proposed funding.

TNG has also engaged with other finance providers including ING, Cat Mining and Finance, North Australia Infrastructure Fund, and Australia's Export Credit Finance Agency and EFIC.

#### **Titanium Off-take**

Discussions with potential off-take partners for Mount Peake's titanium product were significantly advanced during the reporting period. TNG is in advanced discussion with leading distribution groups for the off-take, distribution, marketing and sales of 100% of its future titanium pigment production.

Following the technological breakthrough in the previous quarter (see above) TNG has confirmed its ability to produce a high quality pigment via a sulphate based route. TNG's TiO<sub>2</sub> pigment will be a premium grade for high durability coating and is receiving significant interest from global buyers and distributors.

TNG is committed to arranging the best commercial terms for the benefit of the company and the shareholders and expects to finalise these agreements in the near future.

#### **Patent Coverage Extended**

Patents for TNG's proprietary TIVAN® hydrometallurgical process for the extraction and recovery of high-purity vanadium were approved in both the United States of America and Russia after being granted in Australia.

The patents provide protection and security for the Company for one of its core pieces of Intellectual Property as it reaches the final stages of pre-development, reflecting the robustness of its leach process. TNG also owns the trademark "TIVAN".

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The TIVAN® process patent is based on the extraction and recovery of vanadium and was developed by TNG and its metallurgical consultants, Perth-based METS Pty Ltd. The leach process is the backbone of the TIVAN® process which allows the Company to extract vanadium, titanium and iron in commercial grades and quantities. The Company's long-term business plan is for the TIVAN® process to be developed for licensing globally, which could be potentially highly lucrative for TNG and its shareholders.

The global patent process is being managed by Perth-based patent lawyers WRAYS. Approvals for China, Vietnam, South Africa, the European Union and Canada are currently in process.

#### **Project Development Team**

Subsequent to the end of the reporting period, TNG announced the appointment of highly experienced corporate professional Jason Giltay to the newly-created position of General Manager – Commercial. He will report directly to the Managing Director, with responsibility for all commercial and contractual matters, strategic development and business planning along with the GM Business Development team, spearheaded by TNG's Mr Paul Vollant.

Mr Giltay has extensive corporate and commercial experience, having spent more than 17 years specialising in the areas of corporate finance and commercial management. This included 13 years in the mining industry, where he was involved in mine development, mining operations, plant construction, mine-to-port logistics and mineral drilling.

He was previously Commercial Manager for Atlantic Ltd, where he was part of the team that delivered a \$300 million processing plant upgrade and mining start-up for the Windimurra Vanadium Mine in WA, General Manager Corporate and Company Secretary at mining services group Swick Mining, and Corporate Manager at gold and nickel explorer Cougar Metals.

During his career, he also worked as a corporate advisor for Milestone Corporate and Montt Capital, advising on a total of nine mining industry IPO's and ASX listings including Independence Group, Sandfire Resources, Swick Mining Services and Cougar Metals.

The Company is recruiting additional suitably qualified candidates for key executive roles for the project development team, and further appointments will be announced in due course.

#### **Commodity Pricing Development**

TNG's expected production commodities from Mount Peake all saw further significant improvements during the reporting period, capping a strong year in 2017. Both vanadium and titanium prices saw further positive gains during the year, providing a continued positive backdrop for project funding and development.

Vanadium has been one of the strongest performing metals this year, buoyed by a positive outlook as demand from conventional markets (production of high-strength steel and chemical catalysts) is complemented by new demand from vanadium redox flow batteries, which are used in large-scale battery and energy storage applications.

Vanadium pentoxide prices have risen by more than 400 per cent during the past two years, and increased to US\$17/lb (US\$40,000/tonne) by financial year-end. Ferro-Vanadium have reached their highest level since 2005 at US\$80/kg (US\$80,000/tonne).

New regulations in China are pushing vanadium usage in the steel industry while supply remains very tight due to mine depletion and stricter environmental rules. Market participants are expecting further price increases in the next financial year due to very low product availability and continued demand strength.

Titanium dioxide demand and utilization have increased and prices have been rising steadily over the past two years, reaching a price of around US\$3,200/mt by financial year-end.

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### **OTHER PROJECTS**

#### ***Cawse Extended Mine Project: Nickel-Cobalt***

(80%: Mesmeric / 20%: TNG)

The Company has a 20% free-carried interest in the Cawse Extended Mining Lease, the Company understands that Mesmeric Resources has moved significant processing equipment onto the lease and there is potential for mining activity to resume in 2018. Further updates will be provided in due course.

#### ***Sale of Melville Island exploration licence application to Rio Tinto***

During the reporting period, TNG reached an agreement with Rio Tinto Exploration Pty Ltd (RTX) for the sale of its 100%-owned Melville Island Exploration Licence Application 28617 in the Northern Territory.

A farm-in agreement was signed by both parties in October 2012, allowing RTX to earn 80% equity in the project with TNG retaining 20% equity, at which point TNG would elect to either contribute, sell or convert its equity to a 2% Net Smelter Royalty (NSR). The licence has not progressed from the application phase and therefore equity has not at this stage been earned by RTX.

TNG agreed to sell its interest in the project to RTX for \$80,000 plus a 2% NSR. ELA 28617 covers an area of 1,387km<sup>2</sup> in the north-western part of Melville Island and is prospective for bauxite and heavy minerals.

### **CORPORATE**

#### **Capital Raisings**

During the reporting period, TNG secured the support of a number of leading Australian institutional investors as part of a \$3.911 million capital raising. The Company had initially sought to raise \$3.5 million, however, due to strong demand from institutional investors, it increased the raising amount to \$3.911 million (before costs), comprising the issue of 26,974,655 shares at a price of \$0.145.

The placement was undertaken with Australian institutional investors pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1. Sanlam Private Wealth acted as lead manager to the placement.

The proceeds further strengthened TNG's balance sheet as it advances key pre-development activities at Mount Peake including progressing final off-take arrangements and final engineering and design and working towards securing the overall funding package.

In addition, during the period 364,841 options were converted raising approximately \$70,414 of TNGO listed options (\$0.193) by shareholders.

#### **Research & Development Tax Refund**

TNG received the full amount of its Research & Development refund claim totalling \$1.731 Million before costs. The claim covers eligible test work for the 2016/17 financial year under the Federal Government's R&D tax incentive scheme.

Under the R&D tax incentive scheme, companies with a turnover of less than \$20 million which undertake research & development activities are entitled to a cash refund of 43.5 cents per dollar spent on eligible research and development in Australia. This incentive provides direct assistance for companies like TNG to continue their research and development activities with a view to potentially building further value for shareholders.



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TNG's research relates to the commercial extraction of high-purity vanadium, titanium and iron from vanadiferous-titanomagnetite using its patented TIVAN™ hydrometallurgical process. The TIVAN™ process forms a key part of the Company's development plans for its flagship Mount Peake Vanadium-Iron-Titanium Project in the Northern Territory and its strategy to become a significant global supplier of strategic metals.

#### **Board of Directors**

During the year, Mr Geoffrey Crow retired as Director of the company due to other commitments and Mr Greg Durack was appointed as Independent Non-Executive Director as his replacement.

Mr Durack is a highly experienced metallurgist and mining executive with more than 30 years' global mining experience, brings a vast depth of experience in project evaluation, feasibility studies, project development and mining operations to the TNG board as the company advances key financing negotiations for its Mount Peake Vanadium-Titanium-Iron Project in the NT and works towards commencing project development.

Mr Durack has a distinguished career spanning multiple commodities and projects. His consulting company is the Study Manager for the Definitive Feasibility Study for Pilbara Minerals Limited's (ASX: PLS) Pilgangoora Lithium-Tantalum Project in Western Australia's Pilbara region, which project is about to commence commissioning. He is currently managing the technical aspects of the project with a priority on processing and commissioning.

Between 2007 and 2013, Mr Durack was CEO of ASX-listed Jupiter Mines Limited. During his tenure at Jupiter, Mr Durack was one of a team of three executives who raised \$100 million from equity markets and a further \$50 million from the Pallinghurst Co-investors, which helped contribute funding to Jupiter's share of construction costs for the Tshipi Manganese Project in South Africa. He also oversaw extensive resource definition and feasibility work on the Mt Mason and Mt Ida iron ore deposits in Western Australia.

Mr Durack was appointed to the board on 31 May 2018 as a Non-Executive Director.

Mr Rex Turkington was appointed as role of interim Chairman of TNG pending the appointment of a permanent Chairman in due course. Mr Turkington is an independent non-executive Director. His appointment will ensure an appropriate balance on the Board and allow for the appointment of an additional appropriately qualified non-executive Director in the future.

Mr Turkington has been a Director of the Company for eight years and has intimate knowledge of both the Mount Peake Project itself and the Company's ongoing financing and off-take negotiations. He is a highly experienced corporate adviser and economist who has worked extensively in the financial services and stockbroking industries in Australia, specialising in exploration and mining.

The Company is committed to continuing to strengthen its Board and leadership team as it works towards commencing project construction at Mount Peake, and further appointments will be announced in due course.

#### **Heads of Agreement with BBI Group for Strategic Cooperation**

During the reporting period, TNG signed a Heads of Agreement (HoA) with BBI, owner of the Balla Balla Vanadium-Titanium-Iron (BBVTI) Project, located on the coast of the Pilbara in Western Australia, for strategic collaboration and evaluation of mutually beneficial opportunities for their respective Australian vanadium assets. BBI is a subsidiary of the diversified New Zealand-based conglomerate Todd Corporation.

During 2017 TNG assessed the concentrate from Balla Balla after Todd Corporation contacted the company. This initial testwork was successful in establishing that TNG's 100%-owned TIVAN™ hydrometallurgical technology will work favourably on this material. The HoA will now allow the companies to fully assess the application and feasibility of TNG's 100%-owned TIVAN™ hydrometallurgical technology to BBTVI's resource, providing a platform for commercial discussions in the possible development of the BBTVI and the Mount Peake Project.

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The Company remains completely focused and committed to the development of Mount Peake and commercialisation of its TIVAN™ process. This agreement strengthens the company's view that other vanadium resources will use the TIVAN™ technology as a process of choice to extract maximum value from the resource. This interest also introduces a potential strategic investment for the Mount Peak Project and a basis for other commercial agreements in the best interests of the company.

#### **ATO Class Ruling on the in-specie distribution of shares in Todd River Resources**

During the reporting period, the Australian Taxation Office (ATO) published its Class Ruling on the in-specie distribution of shares in Todd River Resources Limited (TRT) completed on 23 March 2017. TNG holds 10.77% of TRT. The in-specie distribution was made on the basis of 1 TRT share for every 28.73 TNG shares held on 15 March 2017 (Record Date).

A copy of the Class Ruling (CR 2017/46) was published on the ASX on 27 July 2017.

As a result of the in-specie distribution of Todd River Resources Limited Shares to TNG shareholders and in accordance with Listing Rule 7.22.3, the exercise price of options on issue has been reduced by \$0.007 per option.

After adjustment of the exercise prices, the Company has the following options on issue:

- Unlisted 1,500,000 Exercisable at \$0.193 expiring on 7 September 2019
- Unlisted 12,000,000 Exercisable at \$0.263 expiring on 13 December 2019

#### **CASH**

TNG had total cash reserves of \$5.729M at the end of the financial period (2017: \$6.758M). The Company anticipates that it has sufficient funds to complete its pre-development work streams prior to tendering for final engineering and construction. The Company will continue to closely monitor its funding requirements.

#### **Loss before tax for the year**

The loss for the financial year ended 30 June 2018 of TNG was \$3.329M (2017 loss: \$4.436M).

#### **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 \$3.759M (2017: \$5.558M) were made in relation to exploration and evaluation activity.

#### **Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the year ended 30 June 2018.

# **TNG Limited**

## **Directors' Report**

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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 2018 and the auditor's 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 (Plymouth,UK), M.Sc Mineral Exploration (McGill, Canada), MAusIMM, FAEG, GAICD, MCIMMP (Canada), MloD (London)***  
***Managing Director***

Mr Burton has over 25 years' experience in Exploration and Mining in Australia and overseas and is the Managing Director of TNG Ltd. He is also the Technical Director of Todd River Resources Ltd; a company spun out of projects from TNG in 2017.

Mr Burton is a highly experienced exploration and mining executive. He discovered the companies Mount Peake deposit and has been involved in all the discovery and acquisitions of all the company's resource projects.

He holds an Honours degree in Geology, a Master degree in Mineral Exploration and Mining from McGill University in Canada, and is a graduate of the Australian Institute of Company Directors, a Fellow of the Association of Applied Exploration Geochemists, and member of both the Australian and Canadian Institutes of Mining and Metallurgy, a Graduate of the Australian Institute of Directors and a Member of the British Institute of Directors.

***Rex Turkington, BCom(Hons), BCA, GAICD, AAFSI, ADA1(ASX)***  
***Interim Chairman and 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 Australian Institute of Company Directors and is an Associate of the Securities Institute of Australia. Mr Turkington is a Non-Executive Director and Interim Chairman of TNG Ltd. He is also a Non-Executive Director of Todd River Resources Ltd. and Chairman of Key Petroleum.

***John Davidson***  
***Independent Non-Executive Director***

Mr Davidson is a highly-regarded renewable energy executive with more than 30 years' experience leading major strategic business initiatives, business transformation and capital raising initiatives in a diverse range of industries, particularly the renewable energy and technology sectors. He is the founder and Managing Director of Energy Made Clean (EMC), a leading Perth based renewable energy company providing off-grid power and utility-scale solutions, which was acquired by ASX-listed Carnegie Clean Energy in 2016.

Mr Davidson has worked in strategic collaboration with TNG since 2015 on the promotion, development and growth of Australia's emerging Vanadium Redox Flow Battery ("VRF") market, which will help TNG to progress its strategy for full vertical integration of the vanadium supply chain.

Mr Davidson was appointed to the Board in February 2017 as a Non-Executive Director.

# TNG Limited

## Directors' Report

### **Greg Durack, B. App. SC in App Chem (Curtin University, MAusIMM)** **Independent Non-Executive Director**

Mr. Durack is a highly experienced metallurgist and mining executive with more than 30 years' global mining experience, brings a vast depth of experience in project evaluation, feasibility studies, project development and mining operations to the TNG board as the company advances key financing negotiations for Its Mount Peake Vanadium-Titanium-Iron Project in the NT and works towards commencing project development.

Mr. Durack has a distinguished career spanning multiple commodities and projects. His consulting company is the Study Manager for the Definitive Feasibility Study for Pilbara Minerals Limited's (ASX:PLS) Pilgangoora Lithium-Tantalum Project in Western Australia's Pilbara region, which project is about to commence commissioning. He is currently managing the technical aspects of the project with a priority on processing and commissioning.

Mr Durack was appointed to the board on 31 May 2018 as a Non-Executive Director.

### **Geoffrey Crow** **Independent Non-Executive Director**

Mr Crow has more than 29 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 was a non-executive director of TNG Ltd. He is also a non-executive Director of Todd River Resources Ltd.

Mr. Crow retired as Non-Executive Director on 31 May 2018.

### **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 Chartered Accountants Australia and New Zealand and the Governance Institute 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
Paul Burton	6	6	N/A	N/A	N/A	N/A
Geoffrey Crow	6	6	2	2	1	1
Rex Turkington	6	6	2	2	1	1
John Davidson	6	6	N/A	N/A	N/A	N/A
Greg Durack	0	0	N/A	N/A	N/A	N/A

## **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.

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



# **TNG Limited**

## **Directors' Report**

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### **REVIEW AND RESULTS OF OPERATIONS**

The operating loss of the Group after income tax for the year was \$3,329,120 (2017: loss \$4,436,184). The group spent \$3,758,518 (2017: \$5,557,531) on Exploration and Evaluation expenditure and had a 30 June 2018 closing cash balance of \$5,728,637 (2017: \$6,758,167). A review of the operations during the financial year is set out on pages 2 to 12.

### **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 executives are valued at cost to the Company and expensed.

# TNG Limited

## Directors' Report

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### 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.

In 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 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 Burton's 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.

# TNG Limited

## Directors' Report

### 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.

	2018	2017	2016	2015	2014	2013
Profit/(loss) attributable to owners of the company	(3,329,120)	(4,436,184)	(7,139,305)	(5,020,912)	(3,670,228)	(\$4,617,926)
Dividends paid	-	-	-	-	-	-
Share price at 30 June	\$0.13	\$0.14	\$0.13	\$0.15	\$0.19	\$0.05
Change in share price	(8%)	8%	(16%)	(18%)	273%	(36%)
Return on capital employed	(3%)	(4%)	(7%)	(5%)	(3%)	(21%)

#### Non-executive directors

Non-executive directors receive fixed remuneration being a flat per month director's fee and variable remuneration being long term incentives that may be issued from time to time. Non-executive Directors receive a Directors fee of \$60,000 to \$80,000 per annum. Shareholders have approved Director's fees of an amount of up to \$500,000 (2017: \$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% (2017: 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 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 - \$77,000 per annum including super where applicable plus any expense incurred.
- Additional monies are paid to Salaris Consulting Pty Ltd a related entity of Mr Crow, for consulting services and are included in salary and fees. During the year \$5,417 was paid to Salaris Consulting Pty Ltd for consulting services.
- Mr. Crow retired as Non-executive Director on 31 May 2018.

##### *Rex Turkington - Non-Executive Director*

- Term of Agreement – November 2011 until terminated by either party.
- Appointed Interim Chairman of the Board—effective from 31 May 2018.
- Directors fees increased from \$77,000 to \$80,000 per annum including super effective 01 June 2018 where applicable plus any expense incurred.
- Additional monies are paid to Katarina Corporation Pty Ltd a related entity of Mr Turkington, for consulting services and are included in salary and fees. During the year \$12,000 was paid to Katarina Corporation Pty Ltd for consulting services.
- Early termination – no notice period applicable

# TNG Limited

## Directors' Report

### REMUNERATION REPORT - Audited (continued)

#### John Davidson - Non-Executive Director

- Term of Agreement – 27 February 2017 until terminated by either party.
- Directors fees - \$60,000 per annum including super where applicable plus any expense incurred.
- Early termination – no notice period applicable

#### Greg Durack – Non Executive Director

- Term of Agreement – 31 May 2018 until terminated by either party.
- Directors fees - \$60,000 per annum including super where applicable plus any expense incurred.
- Early termination – no notice period applicable

#### 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. Monies paid to SLR Consulting Pty Ltd are included in salary and fees.
- During the year \$2,139 was paid to SLR Consulting Pty Ltd for CFO services
- Early Termination - 3 months written notice by either party.

## 2. Directors and Executives Officers remuneration

Details of the nature and amount of each major element of remuneration of each key management personnel in accordance with Australian accounting standards are:

### Key management personnel remuneration for the year ended 30 June 2018

Consolidated		Short Term		Post-Employment	Long Term		Total	Proportion of remuneration performance related
		Salary & Fees <sup>1</sup>	Bonus	Super-annuation	Share-based Payment - Shares/Options	Other <sup>2</sup>		
Directors		\$	\$	\$	\$	\$	\$	%
Paul Burton	2018	496,320	50,000	25,000	-	56,055 <sup>2</sup>	627,375	8%
Managing Director	2017	506,371	-	35,000	264,000	110,284	915,656	29%
Geoffrey Crow <sup>3</sup>	2018	76,000 <sup>1</sup>	-	-	-	-	76,000	-
Non-executive	2017	81,736	-	-	66,000	-	147,736	45%
Rex Turkington	2018	91,750 <sup>1</sup>	-	-	-	-	91,750	-
Non-executive	2017	103,400	-	-	66,000	-	169,400	39%
John Davidson	2018	54,795	-	5,205	-	-	60,000	-
Non-executive	2017	18,266	-	1,735	71,000	-	91,001	78%
Greg Durack	2018	4,716	-	448	13,000	-	18,164	72%
Non-executive	2017	-	-	-	-	-	-	-
Total	2018	723,581	50,000	30,653	13,000	56,055	873,289	6%
	2017	709,773	-	36,735	467,000	110,284	1,323,793	35%

<sup>1</sup> Includes consulting fees

<sup>2</sup> Includes accrued annual leave not taken over and above base salary detailed within the service contracts section above

<sup>3</sup> Retired



# TNG Limited

## Directors' Report

### REMUNERATION REPORT - Audited (continued)

Consolidated		Short Term		Post-Employment	Long Term		Total	Proportion of remuneration performance related
		Salary & Fees	Bonus	Super-annuation	Share-based Payment – Shares/Options	Other		
<i>Executives</i>		\$	\$	\$	\$	\$	\$	%
Scott Rauschenberger <sup>1</sup>	2018	-	-	-	-	-	-	-
Chief Financial Officer	2017	115,339	-	10,957	26,500	-	152,796	17%
Simon Robertson	2018	68,139	-	-	-	-	68,139	-
<i>Company Secretary</i>	2017	70,394	-	-	53,000	-	123,394	43%
Total	2018	68,139	-	-	-	-	68,139	-
	2017	185,733	-	10,957	79,500	-	276,190	29%

<sup>1</sup> Mr. Scott Rauschenberger resigned as Chief Financial Officer on 10 February 2017.

### 3. Options granted as part of remuneration

a) No shares were granted as compensation to each key management person during the reporting period.

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

1,000,000 unlisted options were issued subject to the terms of the TNG Non-Executive and Consultant Option Plan on 29 June 2018.

The options have no vesting conditions and are exercisable immediately from grant date. The options have an exercise price of \$0.263 and expire on 13 December 2019.

### 4. Exercise of options granted as compensation

During the period no options were exercised by key management personnel, refer section 8 of the remuneration report.

### 5. Analysis of options over equity instruments granted as compensation

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

Director	Number of options granted during 2018	Grant date	Fair value per option at grant date (\$)	Exercise price per option	Expiry date	Number of options exercisable as at 30 June 2018
Greg Durack	1,000,000	29 June 2018	0.013	0.263	13 Dec 2019	1,000,000

These options were issued under the TNG Director and consultant Share Plan.

# TNG Limited

## Directors' Report

### REMUNERATION REPORT - Audited (continued)

#### 6. Analysis of movements in options

The movement during the reporting period, by value, of 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 \$
Greg Durack	13,000	-

- (A) The value of 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. The options vested on grant date.

#### 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 2017	Granted as remuneration	Expired	Exercised	Purchased	Other	Held at 30 June 2018	Vested and exercisable at 30 June 2018
<b>Directors</b>								
Paul Burton	4,000,000	-	-	-	-	-	4,000,000	4,000,000
Geoffrey Crow	1,000,000	-	-	-	-	(1,000,000) <sup>1</sup>	-	-
Rex Turkington	1,000,000	-	-	-	-	-	1,000,000	1,000,000
John Davidson	1,000,000	-	-	-	-	-	1,000,000	1,000,000
Greg Durack	-	1,000,000	-	-	-	-	1,000,000	1,000,000
<b>Executives</b>								
Simon Robertson	1,000,000	-	-	-	-	-	1,000,000	1,000,000

<sup>1</sup> Holding at date of resignation

#### 9. Movements in shares

Directors	Held at 1 July 2017	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2018
Paul Burton	13,324,073	-	37,037	-	-	13,361,110
Geoffrey Crow	7,074,241	-	-	-	(7,074,241) <sup>1</sup>	-
Rex Turkington	7,999,110	-	-	-	-	7,999,110
John Davidson	633,480	-	-	-	-	633,480
<b>Executives</b>						
Simon Robertson	2,250,000	-	-	-	-	2,250,000

<sup>1</sup> Holding at date of resignation

#### 10. Other transactions with key management personnel

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 arm's length basis.

*The audited remuneration report ends here.*

# TNG Limited

## Directors' Report

### 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	Unlisted Options over Ordinary Shares	Listed Options over Ordinary Shares
Paul Burton	13,361,110	4,000,000	-
Rex Turkington	7,999,110	1,000,000	-
John Davidson	633,480	1,000,000	-
Greg Durack	300,000	1,000,000	-

### Options granted to directors and officers of the company

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

### LIKELY DEVELOPMENTS

The Group will continue to advance its Mount Peake Vanadium-Titanium-Iron project.

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

### 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 \$22,375 (2017: 14,475) exclusive of GST.

# TNG Limited

## Directors' Report

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### EVENTS SUBSEQUENT TO REPORTING DATE

On 24 September 2018 the Company announced that it had executed a binding subscription agreement with leading Indian mining conglomerate the Vimson Group, through its Singapore-based, wholly owned subsidiary, V. M. Salgaocar & Bro. (Singapore) Pte. Ltd., for a strategic investment into TNG of approximately \$10M (before costs).

The investment will take place in two tranches with the first tranche of \$9.75 million scheduled to complete on 5 October 2018 and the second tranche of \$0.25 million to complete following TNG's Annual General Meeting in November (subject to receipt of shareholder approval for the second tranche).

Under the subscription agreement, the Vimson Group will acquire TNG fully paid ordinary shares (**Shares**) at a subscription price of \$0.104. The first tranche of 93,757,203 Shares will be issued under TNG's existing ASX Listing Rule 7.1 capacity and is not subject to shareholder approval. Following completion of the first tranche subscription, V. M. Salgaocar & Bro. (Singapore) Pte. Ltd. will have an interest in TNG of approximately 10.13%. The second tranche of 2,396,644 Shares will be issued subject to shareholder approval under ASX Listing Rule 7.1. If the second tranche subscription is approved and completed, V. M. Salgaocar & Bro. (Singapore) Pte. Ltd. will have an interest in TNG of approximately 10.36% (ignoring the dilution which will arise from further issues of Shares between now and then, including under the proposed SPP outlined below).

To allow other shareholders to participate in TNG's capital raising on terms which are as close as possible to the subscription agreement, the Company announced that it is offering eligible shareholders the opportunity to participate in a Share Purchase Plan (**SPP**) to acquire up to approximately \$15,000 worth of Shares at an issue price of \$0.109 per Share (**SPP Price**) without paying brokerage or other transaction costs. The SPP Price is the minimum price at which TNG may offer Shares under an SPP without falling outside of ASX Listing Rule 7.2 Exception 15.

The SPP is not underwritten and will be capped at a total amount of \$5 million (before costs).

Other than as mentioned above or elsewhere in this report, the financial statements or notes thereto, at the date of this report, there are no other matters or circumstances which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- a) the consolidated Entity's operations in future years, or
- b) the results of those operations in future financial years, or
- c) the consolidated Entity's state of affairs in future financial years.

### ROUNDING

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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 20 of the financial report and forms part of the Directors' report for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.



**Paul Burton**  
Managing Director  
26 September 2018





## 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 of TNG Limited for the financial year ended 30 June 2018 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

Jane Bailey

Jane Bailey  
Partner

Perth  
26 September 2018

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**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Other Income	6(a)	803	270
Gain on sale of plant and equipment		-	13
Profit on disposal of subsidiaries		-	221
Gain on sale of tenements	6(a)	80	-
<b>Total income</b>		<b>883</b>	<b>504</b>
Corporate and administration expenses	6(d)	(2,419)	(2,707)
Employment expenses	6(e)	(1,086)	(1,857)
Depreciation and amortisation expenses		(51)	(71)
Impairment loss on exploration	6(c)	(45)	(437)
Impairment of available for sale financial assets reclassified from other comprehensive income	6(b)	(420)	-
Impairment of available for sale financial assets	6(b)	(294)	-
<b>Results from operating activities</b>		<b>(3,432)</b>	<b>(4,568)</b>
Financial income	6(a)	103	132
Financial expenses	6(a)	-	-
<b>Net financing income</b>		<b>103</b>	<b>132</b>
<b>Loss before income tax</b>		<b>(3,329)</b>	<b>(4,436)</b>
Income tax expense	8	-	-
<b>Loss for the year attributable to the owners of the Company</b>		<b>(3,329)</b>	<b>(4,436)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the value of available for sale financial assets	13	63	(504)
Tax effect on other comprehensive income		-	-
<b>Other comprehensive loss for the year</b>		<b>63</b>	<b>(504)</b>
<b>Total comprehensive loss for the year attributable to the owners of the company</b>		<b>(3,266)</b>	<b>(4,940)</b>
<b>Loss per share (cents per share)</b>			
Basic (loss) per share (cents)	9	(0.41)	(0.57)
Diluted (loss) per share (cents)	9	(0.41)	(0.57)

*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 2018**

	Note	2018 \$'000	2017 \$'000
<b>Current assets</b>			
Cash and cash equivalents	11	5,729	6,758
Trade and other receivables	12	512	338
Prepayments		61	54
Available for sale investments	13	711	942
<b>Total current assets</b>		<b>7,013</b>	<b>8,092</b>
<b>Non-current assets</b>			
Plant and equipment		68	107
Exploration and evaluation expenditure	14	23,759	21,645
<b>Total non-current assets</b>		<b>23,827</b>	<b>21,752</b>
<b>Total assets</b>		<b>30,840</b>	<b>29,844</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,050	650
Provisions	16	315	330
<b>Total current liabilities</b>		<b>1,365</b>	<b>980</b>
<b>Non-current liabilities</b>			
Other payables	15	-	260
<b>Total non-current liabilities</b>		<b>-</b>	<b>260</b>
<b>Total liabilities</b>		<b>1,365</b>	<b>1,240</b>
<b>Net assets</b>		<b>29,475</b>	<b>28,604</b>
<b>Equity</b>			
Issued capital	17	72,494	68,790
Reserves	17	(2,123)	(2,606)
Accumulated losses		(40,896)	(37,580)
<b>Total equity</b>		<b>29,475</b>	<b>28,604</b>

*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 2018**

	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		667	358
Cash payments in the course of operations		(3,498)	(3,595)
Interest received		96	128
<b>Net cash used in operating activities</b>	22	(2,735)	(3,109)
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		-	13
Payments for plant and equipment		(13)	(59)
Payments for exploration and evaluation expenditure		(3,759)	(5,578)
Research and development rebate		1,731	963
Proceeds from sale of tenements		80	-
Security deposits refunded/(paid)		(37)	60
<b>Net cash used in investing activities</b>		(1,998)	(4,601)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and exercise of options		3,982	7,334
Share issue costs		(278)	(33)
<b>Net cash received from financing activities</b>		3,704	7,301
<b>Net increase/decrease in cash and cash equivalents</b>		(1,029)	(409)
Cash at the beginning of the financial year		6,758	7,167
<b>Cash and cash equivalents at the end of the financial year</b>	11	5,729	6,758

*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 2018**

	<b>Issued Capital \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Reserves \$'000</b>	<b>Total Equity \$'000</b>
<b>At 1 July 2016</b>	64,944	(34,003)	44	30,985
Loss for the year	-	(4,436)	-	(4,436)
Other comprehensive income	-	-	-	-
Net change in fair value of available for sale instruments			(504)	(504)
Total comprehensive income	-	(4,436)	(504)	(4,940)
<b>Transactions with owners recorded directly in equity</b>				
Share placement	6,985	-	-	6,985
Share issue costs	(33)	-	-	(33)
Share based payments expense	-	859	-	859
Loan funded share plan – loan repayment	157	-	-	157
Options exercised	190	-	-	190
In specie distribution	(3,453)		(2,146)	(5,599)
<b>At 30 June 2017</b>	<b>68,790</b>	<b>(37,580)</b>	<b>(2,606)</b>	<b>28,604</b>

<b>At 1 July 2017</b>	68,790	(37,580)	(2,606)	28,604
Loss for the year	-	(3,329)		(3,329)
Other comprehensive income				
Transfer to profit or loss	-	-	420	420
Net change in fair value of available for sale instruments	-	-	63	63
Total comprehensive income	-	(3,329)	483	(2,846)
<b>Transactions with owners recorded directly in equity</b>				
Share placement	3,911	-	-	3,911
Share issue costs	(278)	-	-	(278)
Share based payments expense	-	13	-	13
Options exercised	71	-	-	71
<b>At 30 June 2018</b>	<b>72,494</b>	<b>(40,896)</b>	<b>(2,123)</b>	<b>29,475</b>

*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.*

# TNG Limited

## Notes to the financial statements

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### 1 REPORTING ENTITY

TNG Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Suite 20, 22 Railway Road Subiaco, Western Australia 6008. The consolidated financial report of the Company as at and for the year ended 30 June 2018 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 recovery 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.



# **TNG Limited**

## **Notes to the financial statements**

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### **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 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(g). The carrying amounts of exploration and evaluation assets are set out in note 14.

#### **ii. Share based payments**

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

#### **(e) Going Concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Whilst not immediately required, the Group may need to raise additional funds to meet its ongoing obligations and subject to the results of its ongoing exploration activities, expand or accelerate its work programs. Additional sources of funding available to the Group include capital raising from new or existing shareholders, or through farm-in or similar arrangements. If necessary the Group can delay exploration expenditures and directors can also institute cost saving measures to further reduce corporate and administrative costs.

The Directors have reviewed the Group's overall financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group has sufficient funds available for at least 12 months and when required will be able to raise further funding.

### **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) Loss of control of a subsidiary**

When the Group loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary, and any related and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**(iii) Transactions eliminated on consolidation**

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

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

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

**(iv) 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**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

**Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

**Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss
- temporary differences related to investments in subsidiaries, associates or jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

**Tax consolidation**

The Company and its wholly-owned Australian resident entity 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. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by TNG Limited (as the head company of the tax-consolidated group).

Entities within the tax-consolidated group have not entered into a tax sharing or tax funding agreement with TNG Limited. The effect of not having entered into a tax sharing or tax funding agreement is that whilst TNG Limited (as the head company of the tax-consolidated group) will be liable for the income tax debts of the tax-consolidated group that are applicable to the period of consolidation, income tax debts may be recovered from subsidiary members in certain circumstances.

**(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.

# TNG Limited

## Notes to the financial statements

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### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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(n).

##### (iii) Subsequent costs

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

##### (iv) Depreciation

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

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

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

#### (e) Foreign currency translation

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

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

### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(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 disclosed 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.

##### **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.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

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.



### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

# TNG Limited

## Notes to the financial statements

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

#### (i) Employee benefits

##### (i) Share based payments

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

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

##### (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.

# **TNG Limited**

## **Notes to the financial statements**

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### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(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) Other Income**

Mainly consist of on-charges to Todd River Resources. Todd River Resources entered into an Administrative Services Agreement with TNG Ltd. The fees and costs associated with the agreement includes 40% of TNG's administration expenditure per month in lieu of the services and facilities provided to Todd River Resources

##### **(ii) 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.

##### **(iii) 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.

##### **(iv) 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.

##### **(v) 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) In specie distribution accounting policy**

The Group measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

At the end of each reporting period and at the date of settlement, the Group reviews and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution.

When the Group settles the dividend payable, it recognises the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the dividend payable in profit or loss.

# TNG Limited

## Notes to the financial statements

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### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Leased assets

Leases for 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.

#### (o) Segment reporting

Segment results that are reported to the Board (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.

#### (p) 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 2017, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

##### (i) AASB 9 *Financial Instruments*:

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and recognition of financial instruments from AASB 139.

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's financial assets and liabilities except for investments in equity instruments. Under the new standard, investments in equity instruments are generally measured at fair value through profit and loss.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, an entity may make an irrevocable election to present in other comprehensive income (OCI) subsequent changes in the fair value for certain instruments. The Group is not planning to make this election for its current equity instruments. As a result, changes in the fair value of the investments in equity instruments will be recognised in profit and loss.

##### (ii) AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and AASB Interpretation 13 *Customer Loyalty Programmes*.

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 contracts-based five step analysis of transactions to determine whether, how much and when revenue is recognised.

The Group does not have existing revenue from contracts with customers.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

# **TNG Limited**

## **Notes to the financial statements**

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### **3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(iii) AASB 16 Leases**

AASB 16 removes the lease classification of leases as either operating leases or finance leases – for the lessee – effectively treating all leases as finance leases.

Short term leases (less than 12 months) and lease of low value assets (such as personal computers) are exempt from the lease accounting requirements.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation on the right of use asset.

Lessor accounting remains similar to current practice- i.e. lessors continue to classify leases as finance and operating leases.

The Group does not have significant leases.

AASB16 is effective for annual reporting periods beginning on or after 1 January 2019,

#### **(q) Changes in accounting policy**

TNG Limited 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 2017.

The nature and effects of the changes required by these standards had no material impact on the financial statements.

### **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 available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date and is considered to be a level 1 in the fair value hierarchy.

#### **(ii) Other receivables, trade and other payables**

Other receivables, trade and other payables are short term in nature. As a result, the carrying 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.

# TNG Limited

## Notes to the financial statements

### FINANCIAL RISK MANAGEMENT

#### Overview

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

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

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

#### 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

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 Parent Entity and has no effect on the Group and as it eliminates on consolidation. The management does not expect any counterparty to fail to meet its obligations. Other receivables mainly comprise of GST receivables.

#### Exposure to credit risk

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

	Note	Consolidated Carrying amount	
		2018 \$'000	2017 \$'000
Trade and other receivables	12	403	338
Cash and cash equivalents	11	5,729	6,758
		6,132	7,096

None of the Group's trade and other receivables are past due.



# TNG Limited

## Notes to the financial statements

### 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 2018

	Note	Carrying amount \$'000	Contractual cash flows \$'000	<3 months \$'000	>12 months \$'000
Trade and other payables	15	1,050	1,050	1,050	-
		1,050	1,050	1,050	-

30 June 2017

	Note	Carrying amount \$'000	Contractual cash flows \$'000	<3 months \$'000	>12 months \$'000
Trade and other payables	15	910	910	650	260
		910	910	650	260

#### 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.

# TNG Limited

## Notes to the financial statements

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk (continued)

##### Profile

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

	Note	Consolidated	
		Carrying amount	
		2018 \$'000	2017 \$'000
<b>Variable rate instruments</b>			
Cash and cash equivalents	11	729	1,758
<b>Fixed rate instruments</b>			
Cash and cash equivalents	11	5,000	5,000
Security deposits	12	118	81
		5,847	5,081

#### 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 \$7,290 (2017: \$17,580)

#### 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.

#### Available for sale investments

All of the Group's equity investments are listed on the ASX. For such investments classified as available for sale, a 1% increase in the share price at the reporting date, would have increased equity by \$7,107. An equal change in the opposite direction would have decreased equity by the same amount.

#### 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.

# TNG Limited

## Notes to the financial statements

### 6 INCOME AND EXPENSES

	Note	Consolidated 2018 \$'000	2017 \$'000
<b>(a) Income</b>			
Gain on sale of tenement		80	-
Other income – TRR on charge		803	270
<b>Total income</b>		<b>883</b>	<b>270</b>
Interest income		103	132
Finance income		103	132
Interest expense		-	-
Finance expense		-	-
<b>Net finance income</b>		<b>103</b>	<b>132</b>
<b>(b) Impairment of available for sale assets</b>			
Impairment of available for sale financial assets reclassified from other comprehensive income		420	-
Impairment of available for sale financial assets		294	-
<b>Total impairment</b>		<b>714</b>	<b>-</b>
<b>(c) Impairment on exploration tenement</b>			
Impairment of exploration tenement		45	-
<b>Total impairment</b>		<b>45</b>	<b>-</b>
<b>(d) Corporate and Administration expenses</b>			
Travel and accommodation		450	471
Legal fees		186	269
Promotional		240	317
Contractors and consultancy		534	584
Occupancy		235	157
Demerger Expenses		-	267
Other		774	642
<b>Total Corporate and Administration</b>		<b>2,419</b>	<b>2,707</b>

# TNG Limited

## Notes to the financial statements

### 6 INCOME AND EXPENSES (CONTINUED)

#### (e) Employment expenses

Wages and salaries <sup>1</sup>		856	927
Other associated personnel expenses		57	4
Increase in liability for long service leave		25	14
Contributions to defined contribution plans		135	53
Equity settled share- based payment transaction	23	13	859
<b>Total Employment expenses</b>		<b>1,086</b>	<b>1,857</b>

<sup>1</sup>Total Wages and Salaries incurred during the year including amounts capitalised to exploration and evaluation was \$1,475,929 (2017: \$1,408,004).

### 7 AUDITORS' REMUNERATION

	Consolidated	
	2018	2017
	\$	\$
Auditors of the Group		
<i>KPMG Australia:</i>		
Audit and review of financial reports	62,509	48,140
	<b>62,509</b>	<b>48,140</b>

### 8 INCOME TAX

	Consolidated	
	2018	2018
	\$'000	\$'000
A reconciliation between tax expense and pre-tax loss:		
Accounting (loss) before income tax	(3,329)	(4,436)
At the domestic tax rate of 30% (2016: 30%)	(999)	(1,331)
<i>Reconciling items</i>		
Share-based payments – non deductible for income tax purposes	4	258
Other non-deductible expenses	133	14
Assesable gain on exit from consolidated group	-	2,809
Adjustment for prior year	(1,136)	568
Prior year tax losses recouped		(229)
Tax losses and temporary differences not brought to account	1,998	(2,089)
<b>Income tax expense reported in the income statement</b>	<b>-</b>	<b>-</b>
Unused tax losses carried forward	43,122	40,469
Potential tax benefit @ 30%	12,937	12,141
Tax losses offset against deferred tax liabilities	(6,097)	(5,531)
Unrecognised tax benefit	6,840	6,610

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.

# TNG Limited

## Notes to the financial statements

### 8 INCOME TAX (CONTINUED)

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

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

#### Deferred income tax

	Consolidated	
Statement of financial position	2018 \$'000	2017 \$'000
Deferred income tax relates to the following:		
<i>Deferred Tax Liabilities</i>		
Exploration and evaluation assets	6,414	5,780
Other	-	-
<i>Deferred Tax Assets</i>		
Other	(317)	(249)
Brought forward tax losses offset against deferred tax liabilities	(6,097)	(5,531)
	-	-

### 9 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2017 was based on the loss attributable to ordinary shareholders of \$3,329,120 (2017: loss \$4,436,184) and a weighted average number of ordinary shares on issue during the year ended 30 June 2018 of 810,517,453 (2017: 777,940,166).

#### Loss attributable to ordinary shareholders

	2018 \$'000	2017 \$'000
(Loss) for the period	(3,329)	(4,436)
(Loss) attributable to ordinary shareholders	(3,329)	(4,436)

#### Weighted average number of ordinary shares

	2018 Numbers	2017 Numbers
Number of ordinary shares at 1 July	777,940,166	751,772,713
Effect of shares issued	32,575,198	26,167,453
Weighted average number of ordinary shares at 30 June	810,515,364	777,940,166
Basic (loss) per share (cents)	(0.41)	(0.57)
Diluted (loss) per share (cents)	(0.41)	(0.57)

#### Effect of dilutive securities

TNG's potential ordinary shares at 30 June 2018, being its options, are not considered dilutive as the conversion of these options would not increase the net loss per share.

At balance date the Group has options which were not yet exercised as per note 23.

# TNG Limited

## Notes to the financial statements

### 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	
	2018 \$'000	2017 \$'000
Cash at bank	729	1,758
Short term deposits	5,000	5,000
	5,729	6,758

### 12 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Current</b>		
Other receivables	285	141
Short term security deposits <sup>1</sup>	118	81
GST receivables	109	116
	512	338

<sup>1</sup> Bank short term deposits maturing 11 months 6 days are paying interest at a weighted average interest rate of 2.30% (2017: 3.30%).

### 13 AVAILABLE FOR SALE INVESTMENTS

	2018		2017	
Equity Securities available for sale	Number	\$'000	Number	\$'000
Peninsula Energy Ltd	90,000	21	90,000	30
Spirit Telecom Energy Ltd	17,392	4	86,957	2
Todd River Resources Ltd	7,000,000	686	7,000,000	910
Balance at end of year	7,107,392	711	7,176,957	942



# TNG Limited

## Notes to the financial statements

### 13 AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

The group's investments in equity securities are classified as Level 1 available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes other than impairment are recognised as a component of equity. As at 31 December 2017, management performed an impairment assessment and as a result, transferred \$419,980 relating to previous fair value adjustments through other comprehensive income, to profit and loss to reflect impairment expense. In addition, another \$294,000 has been recognised in Profit and Loss as an impairment expense as at 30 June 2018.

The \$63,174 was recognised in Reserves relates to the change in fair value of the share price in the investments before the impairment assessment was performed.

### 14 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Cost</b>		
Balance at 1 July	21,645	24,684
Exploration and evaluation expenditure	3,890	5,361
Exploration assets demerged	-	(7,000)
Research and development rebate	(1,731)	(963)
Impairment	(45)	(437)
Balance at 30 June	23,759	21,645
<b>Exploration expenditure capitalised during the year</b>		
Drilling and exploration	465	869
Exploration assets	-	(7,000)
Feasibility and evaluation	3,380	4,493
Total exploration expenditure	3,845	(1,638)

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 \$23,759,357 of which \$23,656,790 was attributable to the Mount Peake project and the balance relating other current exploration programs.

An impairment of \$45,000 was recognised as a result of the Group relinquishing tenement EL25581.

### 15 TRADE AND OTHER PAYABLES

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Current</b>		
Trade payables	430	405
Other payables	620	245
	1,050	650
<b>Non-current</b>		
Other payables	-	260

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

# TNG Limited

## Notes to the financial statements

### 16 PROVISIONS

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Employee provisions</b>		
<b>Current</b>		
Annual leave	172	212
Long-service leave	143	118
	315	330
Balance at 1 July	330	309
Net provisions recognised/(used) during the year	(15)	21
Balance at 30 June	315	330

### 17 ISSUED CAPITAL AND RESERVES

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Issued and paid-up share capital</b>	72,494	68,790

#### (a) Movements in shares on issue

	2018		2017	
	Number	\$'000	Number	\$'000
Balance at the beginning of year	804,514,214	68,790	751,772,713	64,944
Share placement <sup>1</sup>	26,974,655	3,911	51,741,501	6,985
Options exercised <sup>2</sup>	364,841	70	1,000,000	150
Employee Loan funded shares paid	-	-	-	197
Share issue costs	-	(277)	-	(33)
In specie capital distribution	-	-	-	(3,453)
Balance at end of year	831,853,710	72,494	804,514,214	68,790

<sup>1</sup> On 10 April 2018, 26,974,655 TNG ordinary shares were issued at a price of \$0.145 per share.

<sup>2</sup> On 15 June 2018, 364,841 TNG Options were converted to ordinary shares at \$0.193 per share total of \$70,414.

#### 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.

# TNG Limited

## Notes to the financial statements

### 17 ISSUED CAPITAL AND RESERVES (CONTINUED)

#### (b) Options on issue

Grant Date	Expiry Date	Exercise Price	Number at end of year	
			2018	2017
7 September 2016 (unlisted) <sup>1</sup>	7 September 2019	\$0.193	1,500,000	1,500,000
12 December 2016 (unlisted) <sup>2</sup>	13 December 2019	\$0.263	10,000,000	10,000,000
07 February 2017 (unlisted) <sup>2</sup>	13 December 2019	\$0.263	1,000,000	1,000,000
29 June 2018 (unlisted) <sup>2</sup>	13 December 2019	\$0.263	1,000,000	-

Please refer to note 23 for the details of option on issue.

<sup>1</sup> Options issued to consultants in payment of services rendered. The options have no vesting conditions and are exercisable immediately from grant date.

<sup>2</sup> Options issued to directors and key management personnel as disclosed in the remuneration report. The options have no vesting conditions and are exercisable immediately from grant date.

On 31 July 2017, TNG advises that as a result of the in-specie distribution of Todd River Resources Limited Shares to TNG Shareholders and in accordance Listing Rules 7.22.3 the exercise price of options on issue has been reduced by \$0.007 per option.

#### (c) Dividends

No dividends were declared or paid during the 2017 financial year.

Dividend franking account	Consolidated	
	2018 \$'000	2017 \$'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.

#### Reserves

	Consolidated	
	2018 \$'000	2017 \$'000
Investment Revaluation reserve <sup>1</sup>	(23)	460
Transaction Reserve	2,146	2,146
<b>Total Reserves</b>	<b>2,123</b>	<b>2,606</b>

<sup>1</sup> Reflects the movement in fair value in available for sale financial assets (Refer note 13).

# TNG Limited

## Notes to the financial statements

### 18 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	
	2018 \$'000	2017 \$'000
Exploration commitments payable not provided for in the financial report:		
Within one year	743	686
<b>Operating lease commitments</b>		
Operating lease commitments comprise premises and office equipment and are payable as follows:		
Within one year	153	98
Between one year and 5 years	254	-
	407	98

The Group leases its corporate head office under a 3 year operating lease. The Group also has minor leases for storage facilities and office equipment.

### 19 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	
	2018 \$'000	2017 \$'000
<b>Guarantees</b>		
A guarantee has been provided to support unconditional environmental performance bonds	118	47
<b>Total estimated contingent liabilities</b>	118	47

The group has security bank deposits of \$78,945 representing bank guarantees for the office leases and \$38,393 for various tenements for Mount Peak at the Department of Primary Industry and Resources.

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 2018.

# TNG Limited

## Notes to the financial statements

### 20 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	
	2018 \$'000	2017 \$'000
<b>Statement of Comprehensive Income and retained earnings</b>		
<i>Profit/(loss) before income tax</i>	(3,363)	(6,011)
Share based payments	13	859
<i>Movement in retained earnings</i>	(3,350)	(5,152)
Retained earnings at beginning of year	(38,644)	(33,492)
<i>Retained earnings at end of year</i>	(41,994)	(38,644)

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Statement of Financial Position</b>		
Cash assets	5,726	6,732
Trade and other receivables	512	336
Prepayments	61	53
Other investments	25	32
<i>Total current assets</i>	6,324	7,153
Other Investments	686	910
Plant and equipment	68	107
Loan and borrowings from related parties	(1,093)	(1,033)
Exploration and evaluation expenditure	23,759	21,645
<i>Total non-current assets</i>	23,420	21,629
<i>Total assets</i>	29,744	28,782
Trade and other payables	1,051	653
Provision	316	330
<i>Total current liabilities</i>	1,367	983
Other creditors	-	260
<i>Total non-current liabilities</i>	-	260
<i>Total liabilities</i>	1,367	1,243
<i>Net assets</i>	28,377	27,539
Issued capital	72,494	68,790
Reserves	(2,123)	(2,607)
Retained earnings	(41,994)	(38,644)
<i>Total equity</i>	28,377	27,539

# TNG Limited

## Notes to the financial statements

### 21 CONSOLIDATED ENTITIES

<i>Subsidiaries</i>	<i>Country of Incorporation</i>	<b>2018</b> <b>% of Ownership</b>	<b>2017</b> <b>% of Ownership</b>
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 <sup>1</sup>	Australia	100	100
TNG Gold Pty Ltd	Australia	100	100
TIVAN Technology Pty Ltd	Australia	100	100

<sup>1</sup> Direct subsidiary of Enigma Limited

### 22 NOTES TO THE STATEMENTS OF CASH FLOWS

#### Reconciliation of cash flows from operating activities

	<b>Consolidated</b> <b>2018</b> <b>\$'000</b>	<b>2017</b> <b>\$'000</b>
Net profit/(loss) for the period	(3,329)	(4,436)
Add/(less) non-cash items:		
Depreciation and amortisation	51	71
Share based payments	13	859
Gain on sale of plant and equipment	-	(13)
Impairment of available for sale financial assets	714	-
Gain on disposal of tenements	(80)	-
Profit on disposal of Todd River Resources Ltd	-	(221)
Impairment of exploration costs	45	437
	(2,586)	(3,303)
<b>Change in assets and liabilities:</b>		
Change in current payables and provisions	(6)	127
Change in current receivables and prepayments	(143)	67
<b>Net cash used in operating activities</b>	<b>(2,735)</b>	<b>(3,109)</b>

# TNG Limited

## Notes to the financial statements

### 23 EMPLOYEE BENEFITS

#### Defined contribution superannuation funds

The Group made contributions to the employee's nominated superannuation funds. The amount recognised as an expense was \$135,108 for the financial year ended 30 June 2018 (2017: \$35,662).

#### Share-based payments

During the year unlisted options were issued to director. The options vested on grant date and are exercisable immediately.

Issue	Grant date/ participant entitled	Number	Vesting conditions	Expiry Date
1	Options granted to director 29 June 2018	1,000,000	-	13 Dec 2019

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. The options vested on grant date.

	Note	Consolidated 2018 \$'000	2017 \$'000
Options granted in 2018 equity settled		13	859
Total expense/(income) recognised as employee expenses	6(c)	13	859

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

	Issue 1
Dividend yield	0.00%
Share price at date of grant	\$0.125
Exercise price	\$0.263
Volatility	65%
Risk free rate	2.00%
Expiration date	13 Dec 2019
Fair Value	\$0.013

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

	Consolidated Weighted average exercise price 2018 \$	Number of options 2018	Weighted average exercise price 2017 \$	Number of options 2017
Outstanding at 1 July	0.262	12,500,000	0.129	5,500,000
Expired during the period	-	-	0.150	(4,500,000)
Exercised during the year	-	-	0.150	(1,000,000)
Granted during the period	0.263	1,000,000	0.262	12,500,000
Outstanding during the period	0.263	13,500,000	0.262	12,500,000
Exercisable at 30 June	0.263	13,500,000	0.262	12,500,000

The options outstanding at 30 June 2018 have an exercise price ranging from \$0.20 to \$0.27 and have a weighted average remaining contractual life of 1.42 years. (2017: 2.42 years)

Options granted to Directors are disclosed in the remuneration report.



# TNG Limited

## Notes to the financial statements

### 24 RELATED PARTIES

#### (a) Todd River Resources Limited

The Company entered into an Administrative Services Agreement with Todd River Resources Limited on 19 December 2017. The fees and costs associated with the agreement included 40% of TNG Limited's administration expenditure per month in lieu of the services and facilities provided. Geological staff costs and services are also on charged to Todd River Resources as part of the agreement. \$802,911 (2017: \$213,065) has been on charged for the year ended 30 June 2018.

#### (b) Compensation of key management personnel

Key management personnel compensation comprised the following:

##### Compensation by category

	Consolidated	
	2018 \$'000	2017 \$'000
<i>Key Management Personnel</i>		
Short-term	988	1,006
Post-employment	31	48
Share-based payments	13	546
	<u>1,032</u>	<u>1,600</u>

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.

#### (c) 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 personnel related entities on an arm's length basis.

During the year consulting fees were paid to Katarina Corporation Pty Ltd \$12,000, Salaris Consulting Pty Ltd. \$5,417 and SLR Consulting Pty Ltd \$2,139 of which Rex Turkington, Geoffrey Crow and Simon Robertson are related parties respectively.

None were outstanding at 30 June 2018 (2017: \$0).

### 25 INTEREST IN JOINT OPERATIONS

#### Joint venture operations

Joint operations	Joint venture	Principal activities	Consolidated			
			Interest		Exploration expenditure	
			2018 %	2017 %	2018 \$	2017 \$
Mesmeric Enterprises Pty Ltd	Cawse Extended	Nickel/Cobalt	20.00	20.00	20.00	20.00

Exploration expenditure represents direct expenditure incurred by the Group.  
Total exploration costs capitalised as at 30 June 2018 to Cawse Extended is \$102,567.

# TNG Limited

## Notes to the financial statements

### 26 PARENT ENTITY INFORMATION

As at, and throughout, the financial year ending 30 June 2018 the parent entity of the Group was TNG Ltd.

	2018 \$'000	2017 \$'000
Current assets	6,197	6,940
Non-current assets	23,109	21,492
Total assets	29,306	28,432
Current liabilities	871	621
Non-current liabilities	-	260
Total liabilities	871	881
Issued capital	72,494	68,790
Reserves	12,072	11,576
Accumulated losses	(56,131)	(52,815)
Total shareholders' equity	28,435	27,551
Loss for the year	(3,316)	(11,195)
Total comprehensive loss for the year	(3,379)	(11,699)

#### 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 20 for details.

Operating lease commitments	2018 \$'000	2017 \$'000
Operating lease commitments are payable as follows:		
Within one year	153	98
Between one year and 5 years	254	-
	407	98

For contingent liabilities in relation to the parent entity, please refer to note 19.

# TNG Limited

## Notes to the financial statements

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### 27 EVENTS SUBSEQUENT TO BALANCE DATE

On 24 September 2018 the Company announced that it had executed a binding subscription agreement with leading Indian mining conglomerate the Vimson Group, through its Singapore-based, wholly owned subsidiary, V. M. Salgaocar & Bro. (Singapore) Pte. Ltd., for a strategic investment into TNG of approximately \$10M (before costs).

The investment will take place in two tranches with the first tranche of \$9.75 million scheduled to complete on 5 October 2018 and the second tranche of \$0.25 million to complete following TNG's Annual General Meeting in November (subject to receipt of shareholder approval for the second tranche).

Under the subscription agreement, the Vimson Group will acquire TNG fully paid ordinary shares (**Shares**) at a subscription price of \$0.104. The first tranche of 93,757,203 Shares will be issued under TNG's existing ASX Listing Rule 7.1 capacity and is not subject to shareholder approval. Following completion of the first tranche subscription, V. M. Salgaocar & Bro. (Singapore) Pte. Ltd. will have an interest in TNG of approximately 10.13%. The second tranche of 2,396,644 Shares will be issued subject to shareholder approval under ASX Listing Rule 7.1. If the second tranche subscription is approved and completed, V. M. Salgaocar & Bro. (Singapore) Pte. Ltd. will have an interest in TNG of approximately 10.36% (ignoring the dilution which will arise from further issues of Shares between now and then, including under the proposed SPP outlined below).

To allow other shareholders to participate in TNG's capital raising on terms which are as close as possible to the subscription agreement, the Company announced that it is offering eligible shareholders the opportunity to participate in a Share Purchase Plan (**SPP**) to acquire up to approximately \$15,000 worth of Shares at an issue price of \$0.109 per Share (**SPP Price**) without paying brokerage or other transaction costs. The SPP Price is the minimum price at which TNG may offer Shares under an SPP without falling outside of ASX Listing Rule 7.2 Exception 15.

The SPP is not underwritten and will be capped at a total amount of \$5 million (before costs).

Other than as mentioned above, or elsewhere in this report, financial statements or notes thereto, at the date of this report there are no other matters or circumstances which have arisen since 30 June 2018 that have significantly affected or may significantly affect:

- a) the Consolidated Entity's operations in future years, or
- b) the results of those operations in future financial years, or
- c) the Consolidated Entity's state of affairs in future financial years.

## TNG Limited Directors Declaration

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- 1 In the opinion of the directors of TNG Limited (the “Company”):
  - (a) the financial statements and notes, and the Remuneration report in the Directors’ report, set out on pages 10 to 51, 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 2018 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) for the financial year ended 30 June 2018.
- 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 26 September 2018



# Independent Auditor's Report

To the shareholders of TNG Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of TNG Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of Financial Position as at 30 June 2018
- 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 then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

**Key Audit Matters** are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be a Key Audit Matter.

## Carrying value of exploration and evaluation expenditure (\$23,759,000)

Refer to Note 14 'Exploration and evaluation expenditure'

The key audit matter	How the matter was addressed in our audit
<p>The carrying value of exploration and evaluation expenditure (E&amp;E) is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The significance of the activity to the Group's business; and</li> <li>• The greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, in particular the conditions allowing capitalisation of relevant expenditure and assessment of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&amp;E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.</li> </ul> <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> <li>• The determination of the areas of interest;</li> <li>• Documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&amp;E activities; and</li> <li>• The Group's determination of whether the E&amp;E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.</li> </ul> <p>In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&amp;E activities for areas of interest where significant capitalised E&amp;E exists. We paid particular attention to:</p> <ul style="list-style-type: none"> <li>• The determination by the Group of whether E&amp;E is expected to be recovered by successful development;</li> <li>• The ability of the Group to fund the continuation of activities; and</li> <li>• Results from latest activities regarding the existence or otherwise of economically recoverable reserves/commercially viable quantity of reserves.</li> </ul>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard.</li> <li>• We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licences in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as licence related technical conditions, joint venture agreements, results of the latest activities including the report from the external expert engaged by the Group, and planned work programmes.</li> <li>• For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant licence to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licences.</li> <li>• We tested the Group's additions to E&amp;E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard.</li> <li>• We evaluated documents, such as minutes of Board meetings and ASX announcements for consistency with their stated intentions for continuing E&amp;E in certain areas. We corroborated this through interviews with key operational and finance personnel.</li> <li>• We analysed the Group's determination of recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets for a sample of areas.</li> </ul>

## Other Information

Other Information is financial and non-financial information in TNG Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our Auditor's Report.





## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of TNG Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 15 to 20 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Jane Bailey  
Partner

Perth  
26 September 2018

## **TNG Limited**

### **Corporate Governance Statement**

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

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

This Statement was approved by the Board of Directors and is current as at 26 September 2018.

#### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

ASX Recommendation 1.1: A listed entity should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Company has complied with this recommendation.

The Board has adopted a formal charter that details the respective Board and management functions and responsibilities. A copy of this Board charter is available in the corporate governance section of the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au).

ASX Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director and provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.

The Company has complied with this recommendation.

The Company conducted appropriate checks on the Director appointed during the year.

Information in relation to Directors seeking reappointment is set out in the Directors' report and Notice of Annual General Meeting.

ASX Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has complied with this recommendation.

The Company has in place written agreements with each Director and Senior Executives.

ASX Recommendation 1.4: The company secretary of a listed company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company has complied with this recommendation.

The Board Charter provides for the Company Secretary to be accountable directly to the Board through the Chair.

ASX Recommendation 1.5: A listed entity should:

- Have a diversity policy which includes the requirement for the Board to set measurable objectives for achieving gender diversity and assess annually the objectives and the entity's progress to achieving them;
- disclose the policy or a summary of it;
- disclose the measurable objectives and progress towards achieving them; and
- disclose the respective proportions of men and women on the Board and at each level of management and the company as a whole.

The Company partly complies with this recommendation.

The Company has adopted a Diversity Policy which is available in the corporate governance section of the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au).

## **TNG Limited**

### **Corporate Governance Statement**

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The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not practical. The Board will consider setting measurable objectives as the Company increases in size and complexity.

As at 30 June 2018, the Company does not have any female Board members or senior managers (2017: nil). Of the balance of the Company's employees 57% are female (2017:50%). 42% (2017: 30%) of the Company's employees in total, including Directors, are female.

ASX Recommendation 1.6: A listed entity should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

The Company has complied with this recommendation.

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees during each financial year. The chairperson is also responsible for conducting an annual review of overall board performance during a regular meeting of the board.

The Remuneration Committee charter also provides that the Remuneration Committee will make recommendations to the Board, from time to time, in respect of the performance evaluation process for evaluating each of the board, the board committees and individual directors.

A performance review was undertaken during the reporting period.

ASX Recommendation 1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.

The Company has complied with this recommendation.

The Company has in place procedures for evaluating the performance of its senior executives overseen by the Board. These procedures include a review by the Board of the Company's financial performance and an annual performance appraisal meeting with each senior executive.

A performance review was undertaken during the reporting period.

#### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

ASX Recommendation 2.1: The Board of a listed entity should establish a Nomination Committee:

- With at least three members the majority of which are independent Directors;
- chaired by an independent director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company has not complied with this recommendation.

The full Board considers Board composition and identifies and assesses candidates to fill any casual vacancy which may arise from time to time. The Board considers that at this stage no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

ASX Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company has complied with this recommendation.

## TNG Limited

### Corporate Governance Statement

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The Board has established a skill matrix. On a collective basis the Board has the following skills:

Strategic expertise: Ability to identify and critically assess strategic opportunities and threats and develop strategies.

Specific Industry knowledge: Geological qualifications are held by the Managing Director and other members of the Board have a general background and experience in the resources sector including exploration, mineral resource project development and mining.

Accounting and finance: The ability to read and comprehend the Company's accounts, financial material presented to the Board, financial reporting requirements and an understanding of corporate finance.

Legal Compliance: Overseeing compliance with numerous laws, ensuring appropriate legal and regulatory compliance frameworks and systems are in place and understanding an individual Director's legal duties and responsibilities.

Risk management: Identify and monitor risks to which the Company is, or has the potential to be exposed to.

Experience with equity markets: Experience in working in or raising funds from the equity markets.

Funding and project financing: a detailed understanding and experience in working in funding markets and involvement in project funding.

Project development and construction: experience in the development of projects and construction of project infrastructure.

Native Title negotiations: experience in dealing with Traditional Owners and negotiation of Native Title agreements and access agreements to progress the Company's activities.

Investor relations and stakeholder Management: Experience in identifying and establishing relationships with Shareholders, potential investors, institutions, equity analysts and other key stakeholders.

ASX Recommendation 2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent Directors and provide details in relation to the length of service of each Director.

The Company has complied with this recommendation.

Rex Turkington, Interim Chairman, John Davidson and Greg Durack are considered to be independent Directors.

Mr Paul Burton is an Executive Director and is not considered an independent Director as he is employed in an executive capacity.

The respective appointment date of each Director is:

Paul Burton	11 August 2008
Rex Turkington	28 November 2011
John Davidson	2 February 2017
Greg Durack	31 May 2018

ASX Recommendation 2.4: The majority of the Board of a listed entity should be independent Directors.

The Company has complied with this recommendation for part of the year.

As set out in ASX recommendation 2.3, the majority of the Board is considered to be independent.

Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic unless other Directors agree to their attendance. Directors having a conflict must absent themselves from the meeting while any decisions are being made on the business.

ASX Recommendation 2.5: The Chair of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

The Company complies with this recommendation

Mr Rex Turkington is currently appointed as Interim Chairman on 31 May 2018 pending the appointment of a permanent chair in due course. Mr. Turkington is an independent non-executive director.

Mr. Paul Burton is Managing Director of the Company.

## **TNG Limited**

### **Corporate Governance Statement**

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ASX Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities.

The Company has complied with this recommendation.

The full board has responsibility for the approval and review of induction procedures for new appointees to the Board to ensure that they can effectively discharge their responsibilities. The Board is also responsible for the program for providing adequate professional development opportunities for Directors and management.

#### **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

ASX Recommendation 3.1: A listed entity should establish a code of conduct and disclose the code or a summary of the code.

The Company has complied with this recommendation.

The Company has established a code of conduct that sets out standards which the Board, management and employees of the Company are to comply with when dealing with each other, shareholders, customers and the broader community.

A copy of the Company's code of conduct is available in the corporate governance section of the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au).

#### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

ASX Recommendation 4.1: The Board of a listed entity should establish an audit committee:

- With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company has partly complied with this recommendation.

The Board has established an Audit Committee and adopted a charter that sets out the committee's role and responsibilities, composition and membership requirements. Currently, Mr. John Davidson (Chair) appointed to the Committee on 13 August 2018 and Mr. Rex Turkington serve on the Audit Committee. Mr. Geoffrey Crow served as chairman of the Audit Committee until his resignation as Director on 31 May 2018.

The role of the Audit Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and audit process.

The qualifications of the members of the Audit Committee are set out in the Directors' report.

A copy of the charter of the Audit Committee is available in the corporate governance section of the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au).

Details of the number of meetings of the committee and attendance at those meetings is set out in the Directors' Report.

ASX Recommendation 4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO or equivalent a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company partly complies with this recommendation.

## **TNG Limited**

### **Corporate Governance Statement**

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The Board has received the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 31 December 2017 and the full year ended 30 June 2018. Given the size and nature of the Company's operations the Board has not received the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements is sufficient.

ASX Recommendation 4.3: A listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The Company has complied with this recommendation.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.

#### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

ASX Recommendation 5.1: A listed entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has complied with this recommendation.

The Company has established a continuous disclosure policy which forms part of its overall corporate governance policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Managing Director as the person responsible for ensuring that all required price sensitive information is disclosed to the ASX as required. The Managing Director may delegate aspects of administering the continuous disclosure policy to other Directors or Company employees which may be a general delegation or specific to a particular matter.

In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market is posted to its website at [www.tngltd.com.au](http://www.tngltd.com.au) after ASX confirms an announcement has been made.

Information in relation to the Company's continuous disclosure requirements is set out in the Company's corporate governance policy available at [www.tngltd.com.au](http://www.tngltd.com.au).

#### **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

ASX Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

The Company has complied with this recommendation.

The Company's website at [www.tngltd.com.au](http://www.tngltd.com.au) contains information about the Company's projects, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual, half year and quarterly reports are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the Company's website.

ASX Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has complied with this recommendation.

The Company's Managing Director is the Company's contact for investors and potential investors and makes himself available to discuss the Company's activities when requested. From time to time the Managing Director may delegate responsibility for dealing with specific investor relations issues to other Directors or Company officers.

In addition to announcements made in accordance with its continuous disclosure obligations the Company, from time to time, prepares and releases general investor updates about the Company.

## **TNG Limited**

### **Corporate Governance Statement**

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The Company has engaged the services of an Investor Relations company to assist the Company with its investor relations activities.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's electronic mailing list.

ASX Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company has complied with this recommendation.

The Company encourages participation of shareholders at any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.

The full text of all notices of meetings and explanatory material are posted on the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au).

ASX Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

The Company has complied with this recommendation.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's electronic mailing list.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

#### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

ASX Recommendation 7.1: The Board of a listed entity should have a committee to oversee risk:

- With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;
- chaired by an independent director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company has not complied with this recommendation.

The full Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include regular reporting to the Board in respect of operations and financial position of the Company and reports to the Board by the Chairman of each committee at the next Board meeting following the committee meeting.

The Board considers that at this stage no efficiencies or other benefits would be gained by establishing a separate Risk Committee.

ASX Recommendation 7.2: The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken.

The Company has complied with this recommendation.

The Board conducted such a review during the reporting period.



## **TNG Limited**

### **Corporate Governance Statement**

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ASX Recommendation 7.3: A listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of risk management and internal control processes.

The Company has complied with this recommendation.

Given the Company's current size and level of operations it does not have an internal audit function. The Board oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements and monitors the quality of the accounting function.

In addition the Audit Committee's role is to monitor the integrity of the financial statements of the Company, the appropriateness of accounting policies adopted by the Company and review significant financial reporting judgements. The Audit Committee serves as an independent and objective party to review the financial information submitted by management to the Board.

ASX Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does how it manages or intends to manage those risks.

The Company has complied with this recommendation.

The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle which impact on the price and demand for minerals which affects the sentiment for investment in exploration and development companies.

There will be a requirement in the future for the Company to raise additional funding to pursue its business objectives. The Company's ability to raise capital may be effected by these economic risks.

The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.

The operations and proposed activities of the Company are subject to State and Federal laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly when the Mount Peake Project is developed. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The Company's social sustainability risk relates primarily to the communities in which it operates and the part it plays in corporate social responsibility, including the employment and welfare of local communities.

As the Company develops the Mount Peake Project, heritage matters and consultation with stakeholders will be given high priority to ensure that all aspects relating to its operations are adequately addressed.

The Board currently considers that the Company does not have any material exposure to social sustainability risk.

The Company has established a code of conduct that sets out standards which the Board, management and employees of the Company are to comply with when dealing with each other, shareholders, customers and the broader community.

## **TNG Limited**

### **Corporate Governance Statement**

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#### PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 8.1: The Board of a listed entity should establish a remuneration committee:

- With at least three members the majority of which are independent Directors;
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Company has partly complied with this recommendation.

The Board has established a Remuneration Committee and adopted a charter that sets out the Remuneration Committee's role and responsibilities, composition and membership requirements. Currently, Mr. Rex Turkington (chair) and Mr. Greg Durack (appointed on 13 August 2018) serve on the Remuneration Committee. Mr. Geoffrey Crow served on the Remuneration Committee until his resignation as Director on 31 May 2018.

A copy of the committee's charter is available in the corporate governance section of the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au).

Details of the number of meetings of the committee and attendance at those meetings is set out in the Directors' Report.

ASX Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

The Company has complied with this recommendation.

Non-Executive Directors are paid a fixed annual fee for their service to the Company. Non-Executive Directors may, subject to shareholder approval, be granted equity securities as remuneration. Non-executive Directors may also be paid a fee on a per day rate for services in addition to the normal duties of a non-executive Director.

Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company and potentially the ability to participate in bonus arrangements and may, subject to shareholder approval if appropriate, be granted equity securities as remuneration.

Further information in relation to the Company's remuneration policies and practices are set out in the Remuneration Report which forms part of the Directors' Report in the annual financial statements.

ASX Recommendation 8.3: A listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.

The Company has complied with this recommendation.

Participants in any Company equity based remuneration scheme are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

## TNG Limited

### ASX Additional Information

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

#### Twenty largest Shareholders as at 17 September 2018

		Units	% of Units
1.	MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN <WWB INVESTMENTS P/L S/F A/C>	80,000,000	9.62
2.	AOSU INVESTMENT AND DEVELOPMENT CO PTY LTD	56,208,643	6.76
3.	SMS INVESTMENTS S A	14,000,000	1.68
4.	J P MORGAN NOMINEES AUSTRALIA LIMITED	13,879,518	1.67
5.	MR PAUL BURTON	12,000,000	1.44
6.	MR ADAM FURST	11,159,308	1.34
7.	RESEARCHED INVESTMENTS PTY LTD <RICHARD CRUICKSHANK S/F A/C>	10,250,000	1.23
8.	MR TODD BROUWER	7,921,111	0.95
9.	MR REX TURKINGTON	6,000,000	0.72
10.	CITICORP NOMINEES PTY LIMITED	5,912,181	0.71
11.	MR JEFFREY JAY JOHNS	5,660,041	0.68
12.	WESTERMAN SUPER HOLDINGS PTY LTD <WESTERMAN SUPER FUND A/C>	5,050,000	0.61
13.	MR ROBERT BUTCHER <BENJARMEN A/C>	4,763,000	0.57
14.	MR ERNIE ROOSEDAAL + MRS SYLVIA ROOSEDAAL <THE ROOSEDAAL S/F A/C>	4,500,000	0.54
15.	MR BRUNO DIMASI + MRS JENNIFER LOUISE DIMASI <THE DIMASI FAMILY S/F A/C>	4,450,000	0.53
16.	MR ZHIGANG WANG	4,300,000	0.52
17.	KP DEEVES PTY LTD <DEEVES FAMILY S/F A/C>	4,100,000	0.49
18.	MR STUART CROW	4,000,000	0.48
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,314,646	0.40
20.	MR PAUL BROWN	3,200,000	0.38
<b>Totals: Top 20 holders</b>		<b>260,668,448</b>	<b>31.34</b>
<b>Total Remaining Holders Balance</b>		<b>571,185,262</b>	<b>68.66</b>

## TNG Limited

### ASX Additional Information

#### Distribution of listed equity securities as at 17 September 2018

Category	Ordinary Shares
1 – 1,000	238
1,001 – 5,000	683
5,001 – 10,000	772
10,001 – 100,000	2,330
100,001 and over	1,118
	5,141

The number of shareholders holding less than a marketable parcel is 529.

#### Substantial shareholders as at 17 September 2018

Substantial holders in the Company are set out below:

Shareholder	Number
MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN	80,000,000
AOSU INVESTMENT AND DEVELOPMENT CO PTY LTD	56,208,643

#### Class of shares and voting rights

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

#### On-market buy-back

There is no current on-market buy-back.

#### Unlisted Options as at 17 September 2018

Unlisted options exercisable @ \$0.20 expiring 06 September 2019

Total on issue	1,500,000
Number of holders (>100,000)	6
Holder with 20% or more:	-

Unlisted options exercisable @ \$0.263 expiring 06 December 2019

Total on issue	12,000,000
Number of holders (>100,000)	14
Holder with 20% or more:	1
Paul Burton	4,000,000

#### Restricted securities as at 17 September 2018

31,900,000 shares which were issued in previous years pursuant to the Company's loan funded share plans remain on issue. A "Holding lock" in relation these shares was put in place in accordance with the terms and conditions of the original offer. This holding lock will remain in place until certain restrictions are satisfied unless waived by the board. Further details of the plans are set out in the notice of meeting for the 2012 Annual General Meeting.

## TNG Limited

### ASX Additional Information

The Group holds an interest in the following tenements at 26 September 2018

Project	Tenements	Equity
Mount Peake	EL27069, EL27070, EL27941, EL29578, EL30483, EL31389, ELR29627, MLA28341, MLA29855, MLA29856, MLA30686	100%
Cawse Extended	M24/547, M24/548, M24/549, M24/550	20% free carried to production, or can be converted to a 2% net smelter return on ore mined. Unicorn Pit is now excised and a wet tonne royalty applies.
Kintore East	P16/2370, P16/2371, P16/2372, P16/2373, P16/2374	2% gold return interest on production.

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

#### Mineral Reserves and Resources

As at 30 June 2018 the company has reviewed its Mineral Reserves and Resources which are as follows:

##### Maiden Mount Peake Probable Ore Reserve estimate (JORC 2012)

Category	Tonnes	V <sub>2</sub> O <sub>5</sub> %	TiO <sub>2</sub> %	Fe%
Proven	-	-	-	-
Probable	41.1	0.42	7.99	28.0
<b>Total</b>	<b>41.1</b>	<b>0.42</b>	<b>7.99</b>	<b>28.0</b>

This Reserve is unchanged from 30 June 2017.

##### Mount Peake Resource estimate (JORC 2012)

Category	Tonnes	V <sub>2</sub> O <sub>5</sub> %	TiO <sub>2</sub> %	Fe%	Al <sub>2</sub> O <sub>3</sub> %	SiO <sub>2</sub> %
Measured	118	0.29	5.5	24	8.2	33
Indicated	20	0.28	5.3	22	9.1	34
Inferred	22	0.22	4.4	19	10	38
<b>Total</b>	<b>160</b>	<b>0.28</b>	<b>5.3</b>	<b>23</b>	<b>8.6</b>	<b>34</b>

This Resource is unchanged from 30 June 2017.

## **TNG Limited**

### **ASX Additional Information**

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The Company engaged independent consultants to prepare Mineral Reserve and Resource estimates, in the course of doing so the consultants have:

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

#### **Regulatory Disclosures**

##### **Production Targets and Financial Information**

Information in relation to the Mount Peake Definitive Feasibility, including production targets and financial information, included in this report is extracted from an ASX Announcement dated 20 November 2017, (see ASX Announcement – 20 November 2017, "[Updated Feasibility Study Results](#)", [www.tngltd.com.au](http://www.tngltd.com.au) and [www.asx.com.au](http://www.asx.com.au)). The Company confirms that all material assumptions underpinning the production target and financial information set out in the announcement released on 20 November 2017 continue to apply and have not materially changed.

##### **Competent Person's Statement**

The information in this report that relates to the Mount Peake Mineral Resource estimates is extracted from an ASX Announcement dated 26 March 2013, (see ASX Announcement – 26 March 2013, "Additional Information on the Mount Peake Resource", [www.tngltd.com.au](http://www.tngltd.com.au) and [www.asx.com.au](http://www.asx.com.au) ), and was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

The information in this report that relates to the Mount Peake Ore Reserve estimate is extracted from an Announcement dated July 31 2015, ("Mount Peake Feasibility Study confirms a world — class project capable of delivering outstanding returns over long life", [www.tngltd.com.au](http://www.tngltd.com.au) and [www.asx.com.au](http://www.asx.com.au) ), and was completed in accordance with the guidelines of the JORC Code (2012). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Ore Reserve estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are represented have not been materially modified from the original market announcement.

TNG LIMITED

ABN 12 000 817 023