

TNG LIMITED

**HALF-YEAR
FINANCIAL REPORT**

31 December 2015

ABN 12 000 817 023

TNG Limited and its controlled entities

Half Year Financial Report

CORPORATE INFORMATION

Directors

Paul Burton (Managing Director)
Stuart Crow (Non-Executive Director)
Rex Turkington (Non-Executive Director)

Company Secretary

Simon L Robertson

Registered Office

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282 Rokeby Road
Subiaco WA 6008
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Website: www.tngltd.com.au
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Auditor

KPMG
235 St Georges Tce
Perth WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St George's Terrace
Perth WA 6000
Telephone: (08) 9323 2000
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Stock Exchanges

Australian Stock Exchange Limited: (Code:TNG)
Stock Exchange Berlin, Germany: (Code:HJI)

TNG Limited and its controlled entities Directors' Report

The directors of TNG Limited (the "Company") present their report together with the consolidated financial statements for the six months ended 31 December 2015 and the review report thereon.

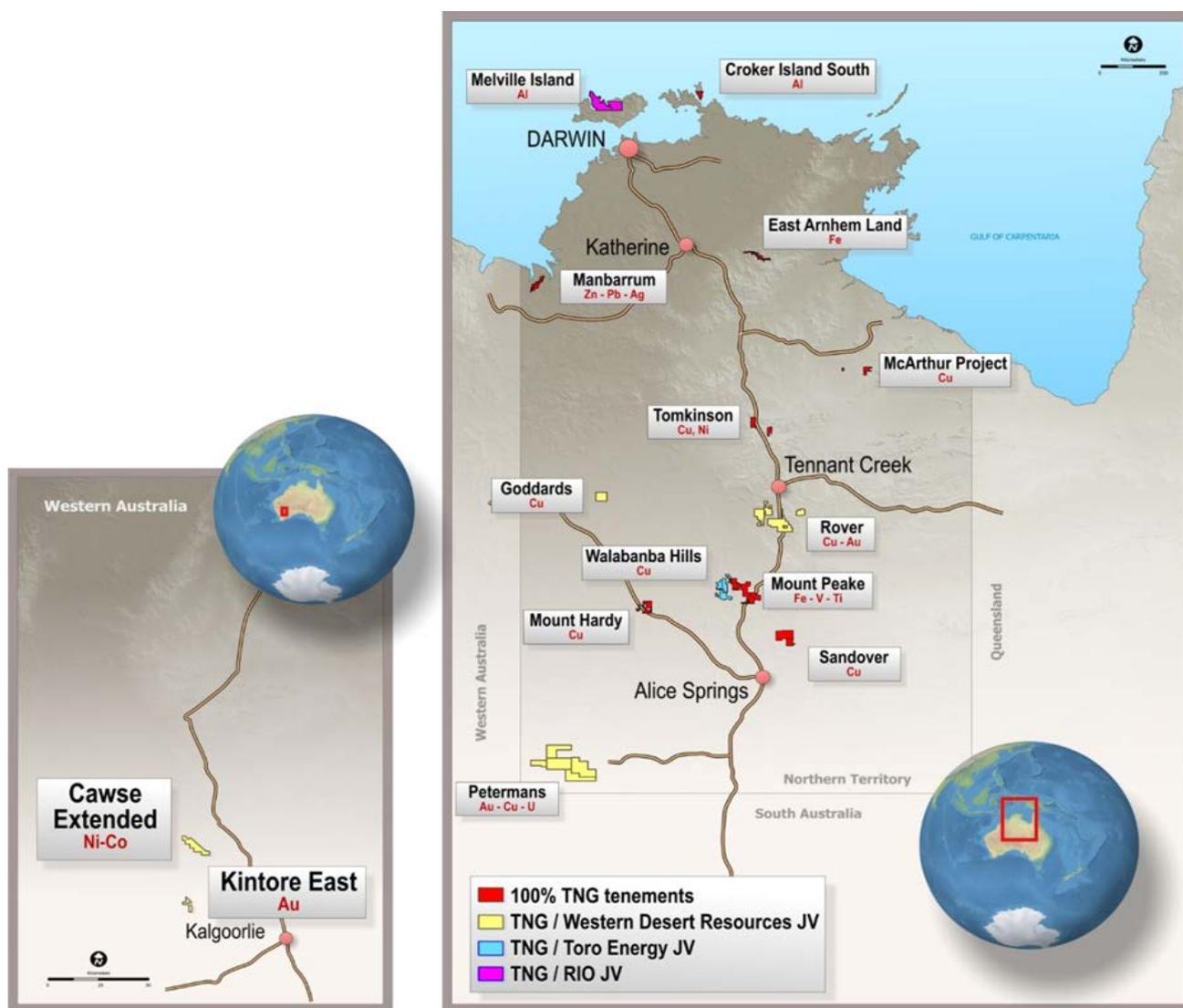
Directors

The directors of the Company at any time during or since the end of the interim period are:

Paul Burton	(Managing Director)
Geoffrey Crow	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
Michael Evans	(Acting Chairman – Resigned 4 December 2015)
Jianrong Xu	(Non-Executive Director – Resigned 16 October 2015)
Wang Zhigang	(Non-Executive Director – Resigned 30 November 2015)

REVIEW OF OPERATIONS

TNG Operations



SUMMARY

During the first half of the 2016 Financial Year, TNG continued to focus on advancing its cornerstone asset, the 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory. The Mount Peake Definitive Feasibility Study was completed in July 2015 delivering robust financial and technical results, outlining a world-class project capable of generating outstanding returns for shareholders.

The Company achieved a number of other key milestones during the reporting period, including:

TNG Limited and its controlled entities Directors' Report

Mount Peake – project evaluation and development

- Binding Life-of-Mine Offtake Agreement signed with major Korean ferro-vanadium group, WOOJIN IND. CO. Ltd (WJN), for a minimum of 60% of all vanadium products produced from the Mount Peake Vanadium-Titanium-Iron Project in the NT.
- Binding Life-of-Mine Technology Transfer agreement also signed with WJN for TNG's use of WJN's proprietary technology for the production of ferro-vanadium at the TIVAN refinery site. WOOJIN's proprietary technology currently has the world's highest vanadium recovery rate and is expected to allow TNG significant additional profitability over the project's life.
- Memorandum of Understanding with Caterpillar Financial Australia for the provision of project finance and/or equipment finance for Mount Peake. The MOU provides scope for Cat Financial to participate in a project funding package in conjunction with other relevant financiers.
- Highly experienced industrial and construction group McMahon Services appointed as Mount Peake Project Manager to coordinate pre-development activities on behalf of TNG for the interim period until a final construction commitment and project finance is secured.
- Sacred Site Clearance Certificate received from the Central Land Council for the Mount Peake Mine Tenements including the mine and site infrastructure, camp, haul road and rail siding. This Certificate provides approval and clearance for TNG to construct the open cut mine, camp facility, haulage road, access road and rail siding at Mount Peake.
- Notice of Intent for TNG's Darwin refinery submitted to the Northern Territory Government, marking another key step in the overall permitting process for the Mount Peake Vanadium-Titanium-Iron Project.
- Draft Environmental Impact Statement (EIS) for the Mount Peake mining operation submitted to the Northern Territory Environment Protection Authority and is now under review.
- Discussions continued on multiple fronts during the period with several leading financial groups and major construction and mining groups to secure an appropriate funding and development package for Mount Peake.

Corporate

- Over \$4.0 million raised following strong take-up of TNGO listed options by shareholders.
- Receipt of Research & Development (R&D) refund claim totalling \$1,889,346 before costs.
- Settlement with the Commonwealth on costs on Davis Samuel.
- Proposed plan to demerge base metal assets via an in-specie distribution of shares in Todd River Resources placed on hold pending an improvement in equity market conditions.
- Changes to Board of Directors.

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% V2O5, 5.3% TiO2 and 23% Fe, 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, paving the way for project financing and development to proceed.

TIVAN® Process

TIVAN® pilot plant testwork completed with exceptional results

The pilot metallurgical testwork program for the TIVAN® downstream refinery of the Mount Peake Project was successfully completed during the period, delivering excellent results which have either met or exceeded expectations in all areas.

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

TNG Limited and its controlled entities Directors' Report

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

Definitive Feasibility Study

DFS results show an increase in life-of-mine revenues and cash flows compared to the previous results from the Pre-Feasibility Study (PFS) completed in 2012 (see ASX Announcement – 15 July 2013).

The DFS is based on the production of magnetite concentrate on site at Mount Peake. The DFS assumes that concentrate will be trucked to a rail siding and then railed north to a TIVAN[®] Refinery facility to be located approximately 10km from Darwin Port. From the magnetite concentrate the TIVAN[®] facility will produce high-purity vanadium pentoxide, titanium dioxide concentrate and iron oxide. Associated downstream plants will produce high grade titanium pigment, and pig iron.

While the additional plant facilities increase the capital requirement of the project, the higher revenues achieved from the higher value end products provide the Company with the potential for an early payback (<4 years) and an exceptional internal rate of return. In addition, the products have well understood markets, transparent pricing and ready demand.

DFS financial model

The DFS financial model was compiled and audited by Snowden. Key assumptions and findings are as follows:

Summary of Key Financial Parameters from cash flow model:

Mine Life:	15 years
Pre-production capital cost estimate (including all infrastructure):	A\$970 million
Total operating costs (including mining, processing, transport & royalties):	A\$167 per tonne of ore
Total revenue (life-of-mine):	A\$27.3 billion
Operating cash flow (life-of-mine):	A\$13.6 billion
Net cash flow (life-of-mine):	A\$11.6 billion
Discount rate:	8%
Pay back:	4 years
Nett annual operating cash flow:	A\$780M
IRR pre-tax:	41%
NPV (at 8% discounted)	A\$4.9 billion

Binding Life-of-Mine offtake and technology agreements signed with WOJIN

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

The life-of-mine off-take agreement encompasses binding commitments for WJN to take or pay a minimum of 60 per cent of the vanadium pentoxide (V_2O_5) and other vanadium products from Mount Peake with a minimum guaranteed price which is, based on the cost of production estimates determined under the DFS, 20% above TNG's forecast cost of production. This off-take agreement will allow more accurate forecasts of the project's revenue and profitability and creates a strong foundation for the project's financing and development.

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

MOU with Caterpillar Financial for Project and Equipment Finance for Mount Peake

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

The MOU marks another important step in TNG's multi-pronged strategy to establish a diversified funding consortium for the Mount Peake Project and follows the the completion of the Mount Peake Definitive Feasibility Study



Figure 1: WOJIN CEO and Chairman Mr Ki (left) with TNG's Managing Director Mr Burton.

TNG Limited and its controlled entities Directors' Report

(DFS) in July, and the recent signing of the Company's first-ever binding off-take agreement for vanadium products.

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

McMahon Services appointed Project Manager for Mount Peake

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

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

MCM was closely involved with the Mount Peake Definitive Feasibility Study (DFS) and contributed significantly to the outstanding outcomes delivered in the DFS (see ASX Announcement – 31 July 2015). It also has a well-established record of facilitating and developing projects both in the Northern Territory and Australia-wide.

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

The outsourcing of this role to one of Australia's most highly regarded service providers is in keeping with TNG's strategy to bring the Mount Peake Project on line as quickly and professionally as possible.

Clearance from Traditional Owners for Mount Peake Access and Infrastructure Development

TNG received a Sacred Site Clearance Certificate from the Central Land Council (CLC) during the period for the mine and associated infrastructure required for the Mount Peake Project.

The CLC is the legal representative of the Traditional Owner Group (TOG) for the proposed Mount Peake mine area. Clearance work was conducted by the CLC during the past few months and, following approvals from the TOG, has issued TNG with the approved certificate.

This Certificate provides approval and clearance for TNG to construct the open cut mine, camp facility, haulage road, access road and rail siding at Mount Peake.

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

Notice of Intent for the Darwin refinery site submitted to the NT Government

TNG submitted the Notice of Intent (NOI) for the proposed downstream refinery site in Darwin for its flagship Mount Peake Project to the Northern Territory Government, representing a significant milestone in the overall Environmental Impact Study (EIS) assessment process.

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

The NOI was prepared by GHD, one of the world's leading environmental and resources consulting groups, which was engaged by TNG to complete all environmental permitting requirements for the integrated Mount Peake mine and refining operation (see ASX Announcement – 17 February 2015). GHD has been closely involved with TNG at Mount Peake since the 2012 Pre-Feasibility Study.

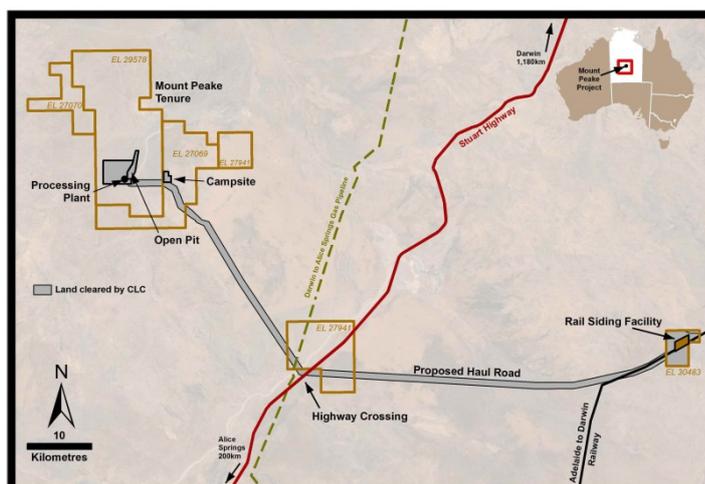


Figure 2: Mount Peake Project location diagram showing the areas cleared by the CLC and TOG, and covered by the Sacred Site Clearance Certificate.

TNG Limited and its controlled entities Directors' Report

COPPER PROJECTS

Mount Hardy Copper Project: TNG 100%

The Mount Hardy Copper Project is located within the Mount Hardy Copper Field, located approximately 300km north-west of Alice Springs. The project area is situated on the Mount Doreen (SF52-12) and Mount Theo (SF52-08) 1:250,000-scale sheets. Access to the Mount Hardy tenement is via the Tanami Highway. TNG has been the first exploration company to apply modern geophysical and drilling techniques to this highly prospective and historically known copper prospect. The area has broad strong surface mineralisation and six key prospects have been explored to date, confirming that the surface mineralisation extends to depth, with a further 11 geophysical targets remaining to be followed up.

The Company is of the view that the mineralisation at Mount Hardy is similar in style to other identified mineralised prospects including those at KGL's Jervois project and Kidman's Home of Bullion prospect.

The Mount Hardy Copper Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Walabanba Hills Copper JV: TNG earning 51% with potential to increase to 80% (all minerals except uranium)

The Walabanba Joint Venture area lies immediately west of TNG's flagship Mount Peake Strategic Metals Project in the Northern Territory, and is considered highly prospective for copper and nickel mineralisation based on previous exploration results.

The Walabanba Hills Copper Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources, when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

McArthur River Copper Project: TNG 100%

The McArthur River tenements, which are located approximately 50km south of McArthur township along the Tablelands Highway, covers part of the prospective McArthur Basin geology, 65km south-west of the McArthur Zinc mine operated by Xstrata, and within the Batten Fault Zone which hosts several other areas of base metal mineralisation, including the recently outlined Teena Deposit (Rox/Teck).

The McArthur River Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Yah Yah – EL 28509

The Yah Yah tenement, located approximately 50km south-west of the McArthur township, contains the historical Yah Yah copper mine, which produced some 40 tonnes of handpicked, high-grade copper (20-30% Cu) ore prior to 1912. A grab sample collected from a Yah Yah waste dump by CRA Exploration assayed 30.4% Cu. In addition, BHP completed a soil survey which returned best results of up to 562ppm Cu from a 300m wide zone over the old structure.

Discussions with traditional owners are continuing in relation to access.

Sandover Project: Copper: TNG 100%

ELA 29252, ELA 29253

The Sandover Copper Project tenements are located approximately 100km northeast of Alice Springs just north of the Plenty Highway. The project area is situated on the Alcoota (SF53-10) 1:250,000 scale map sheet. The three tenements (EL's 29252, 29253, and 29254) were granted in late 2012 and cover 1,742km² (553 blocks) in the highly prospective Aileron and Irindina Provinces, some 120-180km to the northeast of Alice Springs.

The Sandover Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

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OTHER PROJECTS

Legune Hematite Project

The Legune Hill covers a 900 x 500m area, and with a thickness of 4-6m there is potential for several million tonnes of hematite material of this grade. Additional tonnage potential exists further to the west and north. Note: Drilling to date is of a very preliminary nature and insufficient to outline a Mineral Resource.

Black Range Project

The Black Range Project covers approximately 60km of strike of the Sherwin Iron formation in the Northern Territory.

Manbarrum Zinc-Lead-Silver Project: TNG 100%

Located 82 kilometres north east of the township of Kununurra in the Northern Territory, The Manbarrum Project comprises three Exploration Licenses and two Authority to Prospect licenses (under section 178) covering a combined area of 407 square kilometres. The Project comprises a series of Mississippi Valley-style lead-zinc-silver deposits which TNG discovered in 2007. Two deposits totalling more than 35Mt of combined zinc-lead-silver mineralisation have been discovered to date, with a number of untested targets.

The Manbarrum Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Tomkinson Project

The target is the Namerinni Formation, at time equivalent of the host sequence from the McArthur River Zn-Pb-Ag-Cu mine in the McArthur Basin to the northeast.

The Tomkinson Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Stokes Yard Project

The tenement contains the Stokes Yard Zn-Cu-Pb prospect which is hosted in a mylonite zone containing outcrops of mineralised tremolite schist, forsterite marble and less common actinolite-bearing schist. Similar mineralisation (Ulpuruta) and two Cu-Zn-(Au) prospects (Haasts Bluff, Mount Larrie) are known nearby in the geological province.

The Stokes Yard Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Croker Island

The mineral potential in the area is for bauxite. Broad geochemical testing for other minerals will be conducted at the same time as assessment for bauxite mineralisation.

The Croker Island Project is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

Western Desert Resources Ltd (WDR- In Liquidation) Joint Venture: TNG 100%, (WDR earning 51% with scope to earn up to 80%)

The Rover Project covers one granted exploration licences and two exploration licence applications in the lucrative Tennant Creek goldfields.

Additional licence applications are held in the relatively unexplored but highly prospective Petermanns Ranges and the Tanami region.

Rover is part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources when market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

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Other Projects

The following are also part of a portfolio of non-core base metal assets held by TNG in the Northern Territory which are intended to be included in the demerger of Todd River Resources market conditions improve. This is consistent with TNG's focus on advancing its world-class Mount Peake Vanadium-Titanium-Iron Project to development.

- Kintore East Joint Venture: 2% Royalty
- Melville Island Bauxite Project
- Nickel Cawse Extended Joint Venture: TNG 20%, Mesmeric Enterprises Pty Ltd 80% (*The Cawse laterite nickel operation has been placed on indefinite care and maintenance by Norilsk Nickel Australia and is subject to a sale agreement by Mesmeric.*)

CORPORATE

Strong Option Conversion

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

\$1.8M Research and Development Rebate

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

Davis Samuel Matter Settled with the Commonwealth with Agreement on Costs

Further to previous announcements on 24 November 2014 and 14 January 2015 relating to the long-running legal matter between the Commonwealth and Davis Samuel, TNG reached agreement with the Commonwealth during the half year to settle any claim the Commonwealth may have against TNG in relation to costs.

The judgement in favour of TNG handed down on 21 November 2014 included charges in favour of TNG over property owned by certain other defendants with a total value of \$261,059.01. TNG had also recovered \$68,655.36 from one of the other defendants, who did not appeal the findings in the case.

TNG has now agreed with the Commonwealth that it will satisfy the Commonwealth's costs of the trial by assigning the charges it holds over the property to the Commonwealth and paying to the Commonwealth the sum of \$68,655.36 received. In return, the Commonwealth completely discharges and releases TNG from any claims in respect to costs.

Under the agreement with the Commonwealth, TNG retains ownership of the shares in ASX-listed company Kanowna Lights Limited (now Peninsula Energy Ltd – ASX: PEN). These shares have a current market value of approximately \$99,000. TNG has also agreed to withdraw its appeal against the Commonwealth.

An appeal against the judgement handed down on 21 November 2014 has been lodged by a number of the other defendants. Although TNG may take part in that appeal, it does not envisage that any significant cost will be involved in doing so. Apart from in very limited circumstances, the Commonwealth has agreed to indemnify TNG against any decision in the appeal involving the repayment of monies recovered by the Commonwealth from the charges assigned to it by TNG. In any case, TNG's contingent liability is capped at \$261,059.01 under its agreement with the Commonwealth.

Update on Proposed Demerger of Base Metal Assets

Due to the current weak market conditions in the resource sector, the Company has decided to defer the demerger of its portfolio of base metals assets in the Northern Territory ("Spin-out"), which was planned to be undertaken via an in-specie distribution of shares in its wholly-owned subsidiary, Todd River Resources Limited ("Todd River").

Since the General Meeting the Company has been exploring the optimum funding structure for Todd River including funding for an unlisted structure and the potential for a listing on ASX. The Board has decided that it is in the best interests of TNG shareholders to defer the Spin-out until market conditions improve. The Directors believe that greater value can be created for shareholders by retaining the assets within TNG at present and considering the Spin-out when market conditions improve, when it will be in a stronger position to capture the benefits originally identified in the demerger proposal. Any future Spin-out proposal involving a capital reduction and in-specie distribution will be subject to further shareholder approvals.

While the Company will continue to seek opportunities to add value from the continued exploration of its Northern Territory base metal assets, and any other opportunities which may arise, its focus remains firmly on the financing and development of its world-class Mount Peake Vanadium-Titanium-Iron Project.

TNG Limited and its controlled entities Directors' Report

Board of Directors

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

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

Company will consider the relevant composition and skill-set of its board in early 2016, including giving consideration to appointing a new Chairman.

Cash

TNG had total cash reserves of \$6.2m at the end of the reporting period.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the half-year ended 31 December 2015.

Signed in accordance with a resolution of the Directors



Paul E Burton
Managing Director

11 March 2016



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of TNG Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'T. Hart'.

Trevor Hart
Partner

Perth

11 March 2016

Condensed Consolidated Interim Statement of Profit or Loss and other Comprehensive Income
For the six months ended 31 December 2015

	31 December 2015	31 December 2014
	\$'000	\$'000
Other income	-	69
Total income		
Occupancy expenses	(79)	(56)
Administrative expenses	(103)	(71)
Employment expense	(355)	(262)
Corporate expenses	(1,326)	(1,096)
Depreciation and amortisation expense	(54)	(49)
Share based payment expense	(363)	(339)
Other expenses	(393)	(740)
Impairment loss on exploration and evaluation expenditure	(843)	(212)
Results from operating activities	(3,516)	(2,756)
Financial income	67	61
Financial expenses	-	(6)
Net financing income/(Expense)	67	55
Loss before income tax	(3,449)	(2,701)
Income tax benefit/(expense)	-	-
Profit/(Loss) for the period	(3,449)	(2,701)
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Net change in the fair value of available-for-sale financial	20	72
Other comprehensive income/(loss) for the period	20	72
Total comprehensive income/(loss) for the period	(3,429)	(2,629)
Earnings/(loss) per share (cents per share)		
Basic and diluted earnings/(loss) per share (cents per share)	(0.48)	(0.47)

The condensed consolidated interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position
As at 31 December 2015

	Note	31 December 2015	30 June 2015
		\$'000	\$'000
Current Assets			
Cash and cash equivalents		6,224	5,157
Other receivables		339	487
Prepayments		135	67
Other investments		101	81
Total current assets		6,799	5,792
Non-Current Assets			
Plant and equipment		155	125
Exploration and evaluation expenditure	7	24,625	24,020
Total non-current assets		24,780	24,145
Total assets		31,579	29,937
Current Liabilities			
Trade and other payables		837	872
Provisions		265	187
Total current liabilities		1,102	1,059
Non-Current Liabilities			
Other payables		255	-
Total current liabilities		255	-
Total liabilities		1,357	1,059
Net assets		30,222	28,878
Equity			
Issued capital	8	60,557	56,147
Reserves		99	79
Accumulated loss		(30,434)	(27,348)
Total equity		30,222	28,878

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to the consolidated interim financial statements.

Condensed Consolidated Interim Cash Flow Statement
For the six months ended 31 December 2015

	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities		
Cash receipts in the course of operations	66	156
Cash paid to suppliers and employees	(1,844)	(2,009)
Interest received	64	44
Net cash (used in) operating activities	(1,714)	(1,809)
Cash flows from investing activities		
Payments for exploration and evaluation	(3,432)	(1,824)
Research and Development tax offset claim	1,889	1,275
Payments for plant and equipment	(84)	(3)
Payments for issue of security bonds	-	63
Payments for term deposits over 90 days	-	-
Proceeds from sale of investments	-	-
Net cash used in investing activities	(1,627)	(489)
Cash flows from financing activities		
Proceeds from issue of shares	169	5,570
Net proceeds on exercise of options	4,243	125
Cost of shares issued	(3)	(340)
Net cash received from financing activities	4,409	5,355
Net increase in cash and cash equivalents	1,067	3,057
Cash and cash equivalents at 1 July	5,157	4,002
Cash and cash equivalents at 31 December	6,224	7,059

This condensed consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial statements.

**Condensed Consolidated Interim Statement of
Changes in Equity
For the six months ended 31 December 2015**

	Issued Capital \$'000	Accumulated loss Restated \$'000	Fair Value Reserve \$'000	Total Equity Restated \$'000
Balance at 1 July 2014	46,232	(23,125)	-	23,107
Net change in fair value of available-for-sale-investments reclassified to profit and loss	-	-	72	72
Net loss for the period	-	(2,701)	-	(2,701)
Total comprehensive income for the period	-	(2,701)	72	(2,629)
Transactions with owners, recorded directly in equity				
Options exercised	125	-	-	125
Share placement	5,500	-	-	5,500
Share purchase plan	70	-	-	70
Cost of share issue	(340)	-	-	(340)
Share based payment expense	-	339	-	339
Balance at 31 December 2014	51,587	(25,488)	72	26,171
Balance at 1 July 2015	56,147	(27,348)	79	28,879
Net change in fair value of available-for-sale-investments reclassified to profit and loss	-	-	20	20
Net loss for the period	-	(3,449)	-	(3,449)
Total comprehensive income for the period	-	(3,449)	20	(3,429)
Transactions with owners, recorded directly in equity				
Options exercised	4,243	-	-	4,243
Loan funded share plan – loan repayment	169	-	-	169
Cost of share issue	(2)	-	-	(3)
Share based payment expense	-	363	-	363
Balance at 31 December 2015	60,557	(30,434)	99	30,222

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

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

TNG Limited (the "Company") is a for-profit company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2015 is available upon request from the Company's registered office at 1/282 Rokeby Rd Subiaco 6008 or at www.tngltd.com.au

2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting*, and the Corporation Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2015.

The consolidated interim financial report was approved by the Board of Directors on 11 March 2016.

3. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2015.

There has been no new and revised standards and interpretation applicable for the current half year which have resulted in changes to the Group's presentation of, or disclosure in, its interim financial statements.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2015.

5. 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 on-going exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Notes to the condensed consolidated interim financial statement

6. Other expenses

	31 December 2015 \$,000	31 December 2014 \$,000
Legal judgement – Davis Samuel (Refer note 9)	323	695
Other	70	44
	393	739

7. Exploration and evaluation expenditure

Cost	31 December 2015 6 months \$,000	30 June 2015 12 months \$,000
Balance at the beginning of the period	24,020	19,390
Exploration and evaluation expenditure	3,337	6,574
Impairment ⁽ⁱ⁾	(843)	(668)
Research and development rebate	(1,889)	(1,276)
Balance at the end of the period	24,625	24,020

- (i) The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. At balance date the carrying amount of exploration and evaluation expenditure was \$24,625,246 of which \$5,000,000 is attributable to the entity's Manbarrum project, \$15,604,2100 attributable to the Mount Peake project and the balance relating to Cause Extended and other current exploration programs.

Manbarrum

Management reassessed the carrying value of its Manbarrum tenements during the period using a model previously prepared by independent consultants to value the tenements. The indicative value provided by the model at 31 December 2015 was lower than that calculated at 30 June 2015. As a result management concluded that they would impair the value of the Manbarrum tenements by \$841,319 bringing it in line with the lower end of the consultant's valuation range.

8. Capital

	31 December 2015 \$,000	30 June 2015 \$,000
Issued and paid-up share capital		
621,783,833 (June 2015: 660,926,706) ordinary shares, fully paid	60,557	56,147
Movements in shares on issue	Number	\$'000
Balance as at 1 July 2015	660,926,706	56,147
Loan funded share loan - proceeds	-	169
Options exercised	53,618,735	4,244
Share issue cost	-	(3)
Balance as at 31 December 2015	714,545,441	60,557

9. Contingent Liability

Constructive Trust Claim – Davis Samuel

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

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

An appeal against the judgement handed down on 21 November 2014 has been lodged by a number of the other defendants. Although TNG may take part in that appeal, it does not envisage that any significant cost will be involved in doing so. Apart from in very limited circumstances, the Commonwealth has agreed to indemnify TNG against any decision in the appeal involving the repayment of monies recovered by the Commonwealth from the charges assigned to it by TNG. In any case, TNG's contingent liability is capped at \$261,059.01 under its agreement with the Commonwealth.

10. Subsequent events

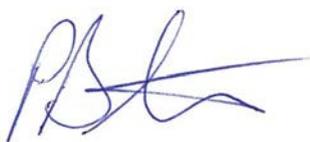
No material subsequent events were recorded subsequent to balance date.

Directors' Declaration

In the opinion of the directors of TNG Limited ("the Company"):

- 1 the condensed consolidated financial statements and notes set out on pages 12 to 18, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2015 and of its performance, for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Paul E Burton
Director

11 March 2016



Independent auditor's review report to the members of TNG Limited

We have reviewed the accompanying half-year financial report of TNG Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of TNG Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of TNG Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, cursive script.

KPMG

A handwritten signature in blue ink, appearing to read 'T. Hart'.

Trevor Hart
Partner

Perth

11 March 2016