

June 2017 Quarterly Activities Report

Continued progress across multiple fronts to advance Mount Peake Project development; Feedback received from NTEPA on the Supplement to Environmental Impact Statement; Experienced international executive Philippe Guillemaille appointed as Titanium Business Manager

HIGHLIGHTS

MOUNT PEAKE VANADIUM-TITANIUM-IRON PROJECT (NT)

- Continued progress during the Quarter across all key areas required to launch the development of the large-scale Mount Peake Vanadium-Titanium-Iron Project.
- Comments received from Northern Territory Environment Protection Agency (NTEPA) relating to the Supplement to Environmental Impact Statement.
- Technical, engineering and environmental studies underway prior to a Final Investment Decision (FID).

BASE METAL PROJECTS

- TNG's base metal spin-off Todd River Resources officially listed on the Australian Securities Exchange (ASX) following a successful fully-subscribed \$6M IPO.
- TNG retains a relevant interest of 10.77% in Todd River Resources following completion of the IPO.

CORPORATE

- Experienced industry veteran Philippe Guillemaille appointed as Titanium Business Manager to oversee the Company's emerging titanium business.
- Continued improvement in both vanadium and titanium prices seen during the quarter. Vanadium prices are being supported by structural changes in supply, stable demand and growing interest in potential demand for vanadium for use in Vanadium Redox Batteries (VRB's) for energy storage applications.
- Positive research report published by Patersons Securities, valuing TNG at 34c/share. The report is available on the Company's website www.tngltd.com.au under Investor Centre > Reports.
- Cash reserves of \$6.8M at Quarter-end, providing a strong foundation for ongoing pre-development activities.

SUMMARY

The June 2017 Quarter was another active period for TNG Limited (ASX: TNG), with the Company making continued steady progress in all of the key areas required to launch the development of its flagship 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory.

Considerable behind-the-scenes activity is currently underway across multiple work streams at Mount Peake and following the strong progress achieved during the June Quarter, TNG expects to be in a position to deliver important news-flow on a number of fronts over the remainder of 2017 – beginning with expected significant announcements on titanium off-take and flowsheet design and engineering in the September Quarter.

During the Quarter, the Company was delighted to announce the appointment of titanium industry veteran, Mr Philippe Guillemaille, as Titanium Business Manager. Mr Guillemaille is an expert in sales management and negotiation and will play an invaluable role in the Company's ongoing financing and off-take discussions for the Mount Peake Project.

TNG is currently in discussions with major groups to secure a project financing package for Mount Peake. International groups are currently reviewing both the opportunity to provide pre-production finance as well as direct investment in either TNG or the Mount Peake Project, or both.

These discussions are progressing against the backdrop of continued price improvements for both vanadium and titanium, the two key commodities to be produced from Mount Peake. According to an update on the market outlook for the vanadium sector published by Roskill during the Quarter, surging prices so far this year are being underpinned by structural supply-side changes and stable, growing demand from most end-users.

Since falling to a 12-year low of US\$13.5/kg in late 2015, prices for ferro-vanadium have steadily rebounded, ending 2016 at US\$22/kg, and touching US\$28/kg in April and May this year. Roskill says the supply-side picture has been fundamentally altered by the absence of production from South Africa (until 2014 the world's second-biggest source of vanadium).

On the demand side, Roskill highlighted the growing interest in the potential of vanadium redox batteries (VRB's), which it says are likely to achieve commercial success in specific energy storage applications such as load-levelling, which will help support an increase in market share and in vanadium demand.

PROJECTS

VANADIUM-TITANIUM-IRON

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. Results of the DFS were provided in full in the Company's June 2015 Quarterly Report.

Supplement to the Environmental Impact Statement (EIS)

The environmental approvals process for the mine site component of the Mount Peake Project development progressed during the Quarter, with feedback received from the Northern Territory Environment Protection Authority (NTEPA) relating to Supplement to the Environmental Impact Statement (EIS) submitted in April 2017.

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

Environmental approvals for the mine and Darwin-based plant are being progressed separately, reflecting both their geographical separation (1,400 km) 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).

During April 2017, TNG submitted the Supplement to the Mount Peake Draft EIS to the NTEPA. The NTEPA has reviewed the information provided in the Supplement and has advised TNG that further information is required to address a small number of outstanding issues. The questions relate primarily to:

- Management of surface water and groundwater at the mine site;
- Management of leachate from waste rock and tailings;
- Options to reduce project water demand and associated project benefits;
- Potential impacts to a small number of species of flora and fauna with potential to occur in the project area;
- Commitments to maintain consultation with Traditional Owners in relation to survey findings, management of culturally significant sites and employment opportunities.

TNG is now working closely with GHD to address the questions raised and expects to provide a response to the NTEPA within the next 2-3 months. The NTEPA will review the information received in consultation with advisory bodies and then has 35 days to provide an assessment report and recommendations for the proposal to TNG and the Minister for the Environment.

Despite this delay, it is important to note that there are no major issues with the EIS and no foreseen impediments to the development of the Mount Peake Project.

Engineering

Como Engineers is currently finalising the mine site beneficiation flowsheet and compiling tender documents for the Mount Peake Concentrator. Revised CAPEX and OPEX figures will also be supplied.

SMS group is finalising the design of the TIVAN® plant with optimised concentrate specifications. Once completed, SMS will provide updated CAPEX and OPEX estimates for the full process flowsheet which will enable a full revised financial model to be concluded.

Appointment of EPC Contractor

The Company is now in the final stages of finalising the full processing flowsheet with SMS. The Company has identified SMS group as the preferred Engineering, Procurement and Construction (EPC) contractor for the Mount Peake Project, and is currently in discussions with SMS to finalise their appointment.

Environmental Impact Statement

As previously announced, the Northern Territory Environment Protection Agency (NTEPA) has provided feedback relating to the Supplement to the Environmental Impact Statement (EIS) for the Mount Peake Project submitted by TNG's environmental consultant and contractor GHD.

Mining Lease

Once all final environmental approvals are received, the Company will be in a position to secure the grant of the Mount Peake Mining Lease with the Northern Territory Government. This is also subject to a Mining Agreement with the Traditional Owners.

Under NT legislation, the Traditional Owner groups are represented by Land Councils. TNG's project falls within the Central Land Council (CLC) jurisdiction. TNG and its lawyers have been working with the CLC on the agreement for the past 12 months and on finalising the agreement for the past six months. It is hoped that this process will be completed in the next 2-4 months subject to all approvals.

Titanium Off-take

TNG is in advanced discussions with key participants within the titanium industry regarding the final feed specifications and type of titanium pigment to be produced, and its distribution from the Mount Peake Project.

There are many different specifications and applications for titanium pigments and TNG's intention is to work closely with potential off-take partners to tailor the titanium output from Mount Peake to meet our customers' needs and achieve the highest profitability.

Once these discussions are finalised and the preferred product has been determined, TNG will be in a position to determine the optimal titanium processing and beneficiation routes, for which extensive work has been conducted by SMS. The Company expects to make an announcement about titanium production and off-take in the near future.

Vanadium Off-take

TNG has held discussions with interested parties for the remaining 40% of forecast vanadium pentoxide production.

Commodity pricing development

TNG's commodities have all seen a significant rise in price over the past 12 months, further strengthening the economics of the Mount Peake Project and supporting its overall strategy of focusing on strategic metals:

- The V₂O₅ price is up 76% at US\$6/lb V₂O₅ from US\$3.40/lb V₂O₅ in June 2016.
- The TiO₂ price is up 20% at US\$3,000/ton from US\$2,500/ton in 2016.
- The pig iron price is up 23% at US\$380/ton from US\$310/ton in June 2016.

Importantly, the price increases outlined above actually represent more of a reversion to the historical mean after a period of extremely low sentiment in the industry rather than a sudden bullish sentiment, and market participants expect them to remain strong.

Project Finance

The Company's financial advisor, Gresham, has identified both potential Strategic Partners and finance groups for the Mount Peake Project. Positive preliminary discussions have been held with a number of groups and are now moving to the next stages of due diligence.

Project Team

TNG is currently interviewing candidates for the key executive roles for the project development.

Other Prospects at Mount Peake

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

Graphite

The graphite potential of the Mount Peake Project is also continuing to emerge. This work is still at an early stage, however the graphite prospectivity at Mount Peake represents an exciting emerging opportunity for TNG, which will be further tested during 2017.

CORPORATE

De-merger of Base Metal Assets

Following the completion of a successful \$6 million IPO, TNG's base metals spin-off, Todd River Resources, made its debut on the Australian Securities Exchange (ASX) on Thursday, 6 April 2017, with its shares trading under the ASX Ticker: TRT.

Eligible TNG shareholders who were on the TNG share register on the record date (15 March 2017) received shares in Todd River Resources via an in-specie distribution.

TNG retains a relevant interest of 10.77% in Todd River Resources following the completion of the IPO.

Todd River Resources will provide investors with further information in due course on its planned exploration and project development activities under its own Company Announcements Platform (ASX Ticker: TRT).

Appointment of Titanium Business Manager

TNG has further strengthened its senior management team with the appointment of highly experienced industry executive Philippe Guillemaille as its Titanium Business Manager. Mr Guillemaille's core role will be to progress marketing and off-take strategies for the TiO₂ products from Mount Peake.

Mr Guillemaille is a highly experienced sales and marketing professional in the chemical industry. He has held positions as sales manager for Fuji Film (Japan), Metallgesellschaft (Germany) and Monsanto/Exxon Chemicals (U.S.) among others. He began his career in the TiO₂ industry 20 years ago with Kronos and Argex Titanium. His academic studies include a degree from the Lyon Institute of Technology, France.

This newly created position within TNG covers key aspects of business development and offtake sales for the titanium dioxide to be produced from Mount Peake with the clear objective of successfully commercializing the titanium products, attracting industry partnerships or investments. Mr Guillemaille will develop collaborations and partnerships with key TiO₂ players and investors while attending and presenting at leading industry conferences in the second half of 2017. This appointment cements TNG's strategic plan to become a major player in the global supply chain of TiO₂.

Cash

TNG had total cash reserves of \$6.8 million at Quarter-end.

Paul Burton
Managing Director

26 July 2017

Tenement Schedule

The Group holds an interest in the following tenements or tenement applications at 30 June 2017:

Project	Tenements	Equity
Mount Peake	EL27069, EL27070, EL27941, EL29578, EL30483, EL31389, ELR29627, MLA28341, MLA29855, MLA29856, MLA30686	100%
Melville Island	ELA28617	100% (Farm-in agreement)
Cawse Extended	M24/547, M24/548, M24/549, M24/550	20% free carried to production, or can be converted to a 2% net smelter return on ore mined. Unicorn Pit is now excised and a wet tonne royalty applies.
Kintore East	P16/2370, P16/2371, P16/2372, P16/2373, P16/2374	2% gold return interest on production.

Competent Person's Statements

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 and www.asx.com.au), and was completed in accordance with the guidelines of the JORC Code (2012). Initial mining and financial assessment work, based on the Mineral Resource, followed (see ASX Announcement – 15 July 2013, “TNG Considers Two-Stage Development Option for Mount Peake Project, NT”, www.tngltd.com.au and www.asx.com.au). 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.

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 31 July 2015, (see ASX Announcement – 31 July 2015, “Mount Peake Feasibility Study Confirms a World-Class Project”, www.tngltd.com.au and 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 31 July 2015 continue to apply and have not materially changed.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

TNG Limited

ABN

12 000 817 023

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(877)	(5,195)
(b) development	-	-
(c) production	-	-
(d) staff costs	(401)	(1,521)
(e) administration and corporate costs	(558)	(2,019)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	55	127
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (TRT repayment of IPO related costs as per reimbursement agreement)	300	(9)
1.9 Net cash from / (used in) operating activities	(1,481)	(8,617)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(15)	(58)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (Research and development refund)	-	962
2.6 Net cash from / (used in) investing activities	(15)	904

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	7,024
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	150
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	70
3.10 Net cash from / (used in) financing activities	-	7,244

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	8,335	7,308
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,481)	(8,617)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(15)	904
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	7,244
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	6,839	6,839

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	6,758	8,221
5.2 Call deposits	81	114
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,839	8,335

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
214
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,000)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(410)
9.5 Administration and corporate costs	(650)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(2,060)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL29578	Reduced	81 blocks	67 blocks
	EL27070	Reduced	14 blocks	7 blocks
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL31389	Granted	0%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 26 July 2017

Print name: Simon Robertson
(Company secretary)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.