

SHAREHOLDER NEWSLETTER

JUNE 2019

FROM THE MD'S DESK



Paul Burton

Managing Director and CEO

Dear TNG shareholder,

Firstly, I would like to thank you for the positive and enthusiastic response to our first Shareholder Newsletter. This has proven to be an effective format for communicating our progress on a range of fronts, addressing shareholder questions, introducing key members of our team and updating shareholders on our investor relations calendar.

We have continued to achieve a number of further milestones. The first, which is covered in more detail in this newsletter, was the signing of a binding life-of-mine off-take and marketing agreement with Swiss-based DKSH, for titanium dioxide pigment from Mount Peake.

We now have sales contracts in place for all three of the high-value products to be produced at Mount Peake, including binding life-of-mine sales contracts for vanadium and titanium, supporting our funding strategy for Mount Peake.

I am also pleased to report that our Titanium Pigment plant provider, German-based Ti-Cons has progressed its preliminary design for the TIVAN® product and the process to produce a high quality pigment (more about DKHS and Ti-Cons in this issue).

The second key development was the announcement on 11 June that the Company had secured a strategic A\$10 million investment from two leading German-based institutions, DELPHI and Sparta – respectively the parent company and a subsidiary of Deutsche Balaton AG – as part of a broader A\$15 million capital raising.

We have long said that one of our key corporate strategies is to institutionalise our share register by introducing major global institutional and strategic investors capable of following their initial investment and supporting our project financing strategy which commenced with VIMSON investment last year.

At the same time, we announced a proposed entitlements issue to be undertaken on a 1-for-20 basis, to raise ~A\$5 million, which the Board and I considered fair to give all shareholders the opportunity to participate in this capital raising at the same price.

The proceeds of this raising will increase TNG's cash position to around \$25 million, putting the Company in a strong position to progress our planned and key pre-development activities at Mount Peake.

I am also very pleased to have received a strong letter of support from the Northern Territory Government Chief Minister Hon Michael Gunner (see inside).

In summary, TNG moves into the second half of the year with a strong balance sheet, a world-class project that is now taking shape at a number of levels and a focused and committed team that is working tirelessly to make this project a reality.

Thank you for your continued support.

TITANIUM OFF-TAKE AND MARKETING AGREEMENT WITH SWISS-BASED DKHS

During May, TNG's management and marketing team executed a Binding Life-of-Mine Off-take and Marketing Agreement with the leading Market Expansion Services provider DKSH to purchase, on a life-of-mine basis, up to 100 per cent of the titanium dioxide (TiO₂) pigment that will be produced by the Mount Peake Project. This is a landmark for the project development.

Under the agreement, DKSH will provide full distribution services, including freight financing, technical support, logistics, marketing and sales for TNG's TiO₂ product(s) from the Mount Peake Project.

The basis of the off-take is a minimum of 75,000 tonnes and up to 150,000 tonnes per year – or 100% of TNG's planned TiO₂ production – on an FOB basis to distribute globally, excluding the Iberian Peninsula and European Nordic countries and subject to the terms and conditions of the Agreement.

Our plans are to initially produce high-durability pigments for the outdoor coating industry, which represents the largest pigment market, before expanding to other high-value niche markets.

WHO IS DKSH?



DKSH is a publicly-listed (SWX: DKSH) leading Market Expansion Services provider. Headquartered in Zurich and with a history dating back over 150 years, DKSH is deeply rooted in communities all across the Asia-Pacific region.

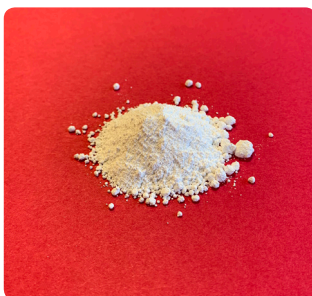
The company offers any combination of sourcing, marketing, sales, distribution and after-sales-services and is organised into four Business Units: Consumer Goods, Healthcare, Performance Materials and Technology. Its core business is supporting other companies to grow their business in new or existing markets.

With 825 business locations in 35 countries and 33,000 specialised staff, it is one of the top-25 Swiss companies ranked by sales and employees. In 2018, DKSH generated annual net sales above US\$11 billion.

A fantastic tier 1 partner for TNG to have as part of its future business.

WHAT IS TNG'S TITANIUM PRODUCT?

- ▶ TNG's strategy is to be a fully integrated TiO_2 pigment producer from mine to finished product;
- ▶ Global demand is estimated at 6.7 million tonnes per annum. TNG's production of up to 150,000 tonnes per annum will represent up to 2.2% of the world's demand;
- ▶ Technology proposed to be provided by Ti-Cons (Germany), a leader in TiO_2 technology;
- ▶ This is a sustainable and environmentally friendly process using TNG's own low iron feedstock and patented TIVAN® process; and,
- ▶ TNG360™ is our first TiO_2 pigment grade targeting the Paint & Coatings industry with a high-durable grade for outdoor applications and industrial market will then be followed by a pigment for plastics application.



TiO_2 FEEDSTOCK

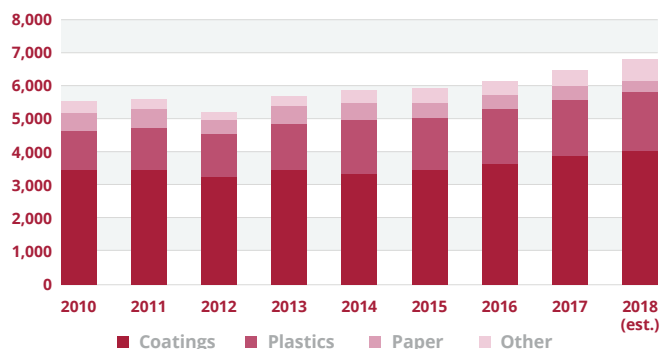
Oxides	Ilmenite	TiO_2 Slag	TIVAN®
TiO_2	44.0	79.4	74.20
Fe_{Total}	35.5	9.40	2.34
SiO_2	3.3	4.30	18.39
Cr_2O_3	0.09	0.13	0.03
Al_2O_3	0.7	1.80	2.43
MgO	4.5	5.70	0.42
CaO	0.35	0.66	0.91
V_2O_5	0.20	0.35	0.24

WHAT IS TITANIUM DIOXIDE PIGMENT USED FOR?

- ▶ Titanium dioxide (TiO_2) is the most used white pigment globally;
- ▶ The most important properties of TiO_2 pigment are optical such as opacity, brightness, gloss, weather resistance and durability;
- ▶ Pure TiO_2 is produced by sulfate (SP) or chloride (CP) process, then milled and surface treated to make pigment (containing 80-98% TiO_2);
- ▶ Historically not much vertical integration has occurred within the industry - producers are usually either upstream (feedstock) or downstream (pigment);
- ▶ TiO_2 pigment is non-toxic and environmentally friendly;
- ▶ The titanium dioxide market was worth around US\$20bn in 2018;
- ▶ About 60% of the titanium dioxide is used in coatings market (paints, coatings, inks and enamels);
- ▶ China and APAC markets are the main growth regions; and
- ▶ During the 2015-2025 period, global demand is forecast to grow at 4.1% CAGR to 8.825 million tonnes in 2025.

Titanium dioxide demand by end-use

y-axis: '000 tonnes



WHO IS TI-CONS?

Ti-Cons

In September 2018, TNG signed a Binding Heads of Agreement with the industry-leading German technology provider, Ti-Cons, for the supply of a full technology package for its titanium pigment plant including engineering, construction support, procurement support, training and commissioning.

Ti-Cons was founded in 2005 by TiO_2 experts with combined decades of industry experience with global players. Since then, Ti-Cons has grown into an industry leader and supplied TiO_2 production facilities on a global basis. From feedstock to post treatment, Ti-Cons can deliver a turn-key TiO_2 plant with both process and product guarantees.

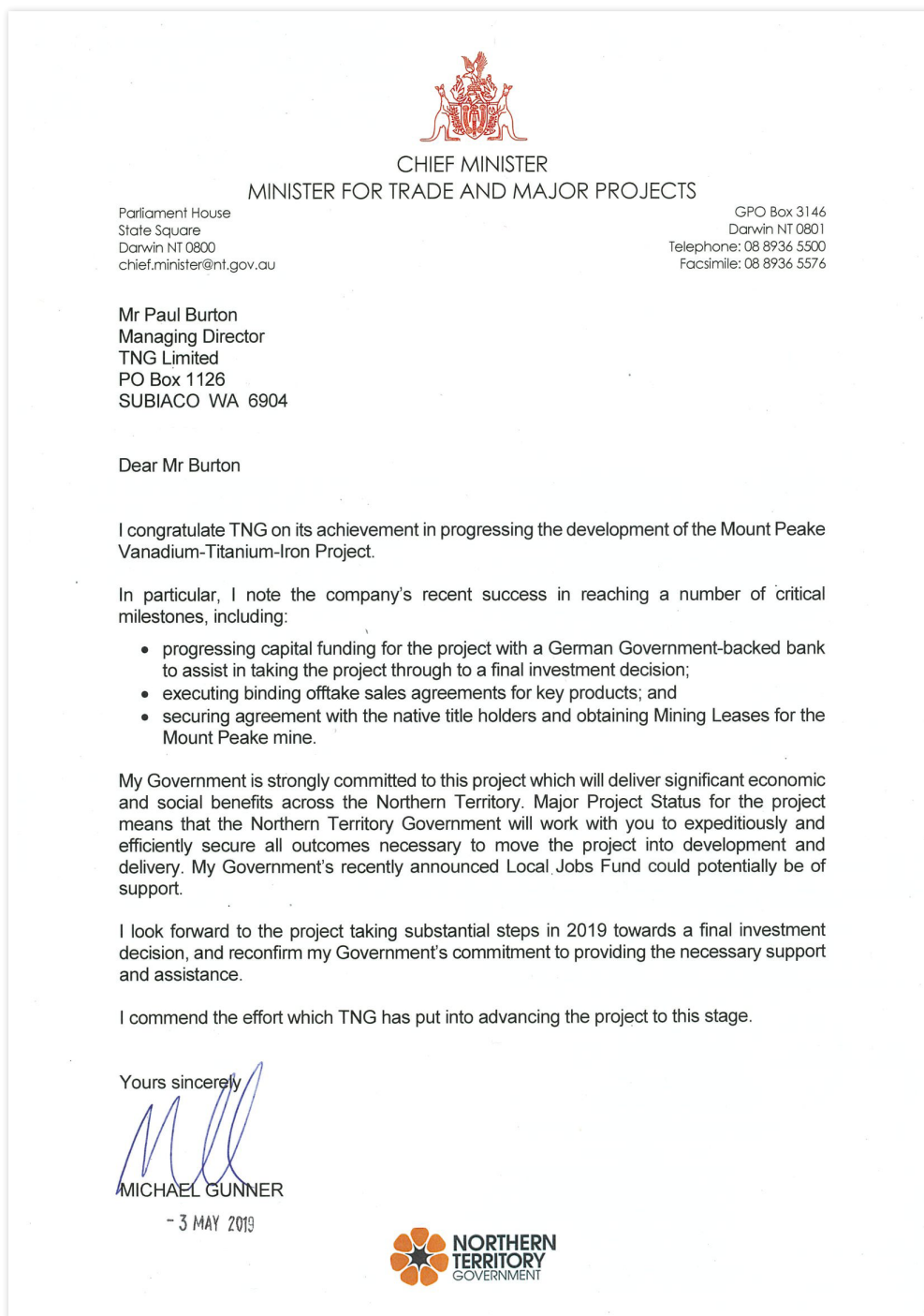
Ti-Cons will provide TNG with process and product guarantees for the production of a high-durable TiO_2 pigment suitable for outdoor coatings applications and will act as a sub-contractor to TNG's EPC contractor for the Mount Peake Project, with TNG agreeing to grant Ti-Cons the status of preferred partner for the development of the tailored process.

All and any Intellectual Property developed as a result of, or in connection with, the Consultancy Services provided by Ti-Cons to TNG will, from their creation, be owned and vest exclusively in TNG.

NORTHERN TERRITORY GOVERNMENT SUPPORT



On 3 May, TNG received a letter from the Chief Minister of the Northern Territory, Hon Michael Gunner, congratulating TNG on its achievement in progressing the development of Mount Peake and emphasising NT's Government strong commitment to the Project.



PRODUCT PRICE MOVES

- ▶ Vanadium pentoxide prices are in line with historical market prices at US\$7.6-7.9/lb in the second quarter, the product availability meeting the global demand.
- ▶ Titanium dioxide pigment prices have stabilised at US\$3,000-3,200/t in the second quarter of 2019. The low demand season is over and price increases were announced.
- ▶ Pig iron prices were flat with US\$340-370/t in the second quarter of 2019 following good recovery across the board for iron products.

SHAREHOLDER Q & A

Q: What is the minimum percentage of titanium dioxide production that DKSH will take?

The terms of the Binding Life-of-Mine Off-take and Marketing Agreement signed between TNG and DKSH are for DKSH to purchase a minimum of 75,000 tonnes up to 150,000 tonnes (up to 100% of planned annual production) of the titanium dioxide (TiO₂) pigment to be produced at Mount Peake. This allows TNG some flexibility to sell some product on the spot market, include another off-taker or sell all of its product to DKSH.

Q: When is the TIVAN® process likely to be commercialised and generate income for TNG?

The Company's long-term business plan is for the TIVAN® process to be developed for licensing globally, which is why the company has gone down the international patent route. It is the Company's view that licensing could be potentially lucrative for TNG (and its shareholders). The Company is currently focused on advancing its flagship Mount Peake Project towards a Final Investment Decision and, consequently, commencing the construction at the Mount Peake mine site concurrently with construction of the TIVAN® processing plant. Following this, licensing could occur. This does not rule out any commercial arrangement that may be proposed and is in the Company's best interest before construction commences.

Q: Does TNG own 100% of the Intellectual Property (IP) of TIVAN®?

The TIVAN® hydrometallurgical process is a 100%-owned by TNG and was developed by TNG and its metallurgical consultants, Perth-based METS Pty Ltd. CSIRO and SMS group. SMS, CSIRO and METS were contracted by TNG for this work and therefore any "know-how" or "IP" associated with the development of the process is owned by TNG.

Q: Could you please clarify what expenditures/costs are included in the finance package to be structured by KfW IPEX-Bank GmbH? Will there be an equity component in the finance package?

The updated Feasibility Study assumes an overall CAPEX cost for Stage One of A\$853 million, which includes an EPCM charge of 8% and 5% contingency. This figure includes all infrastructure, access/haul roads, mining, rail works, camp, water supply, concentrator, tailing dam, and the Darwin process plant and port handling costs.

The Company's model remains to have the greatest amount of debt possible covered by the German Government, funding from our off-take partners and some form of intermediate mezzanine style debt that will reduce the amount of equity required and thereby minimise any significant dilution of the Company's capital structure.

Q: Why is beneficial for the Company to introduce major global investment institutions to the share register?

Major global investment institutions like German-based investors, DELPHI and Sparta, are considered strategic to the business as they bring the capability to follow their initial investment and support the Company's multi-pronged funding strategy for the Mount Peake Project. This type of investor will help to increase the profile of the Company in global markets and assist in attracting more institutional shareholders, which can improve liquidity and consequently share price.

Shareholder Questions

If you have a question for TNG, we'd love to hear from you!

► **Send your enquiry to corporate@tngltd.com.au**

MEET THE TEAM

Philippe Guillemaile

General Manager, TiO₂
Joined in June 2017

Philippe is a highly experienced sales and marketing professional in the chemical industry. He gained experience in trading with companies like 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.

Peter Hedley

Project Manager, Mount Peake FEED
Joined in June 2019

Peter is a chemical engineer and project manager with over 30 years' experience in professional line management, project management/engineering, process engineering/design, and plant operations in the chemicals and minerals processing industries. His career includes over 20 years in the TiO₂ industry and most recently he has project managed development of a large (AUD1.3b) complex, multicommodity greenfields, minerals processing plant.

Craig Reimer

Project Execution Consultant
Joined in June 2019

Craig is a mechanical engineer with more than 25 years' experience in project execution, project management, engineering management and business management, having led multi-disciplinary teams through all phases of project delivery. Mr Reimer has delivered successful international projects for clients in the mining, infrastructure, industrial, government and commercial sectors in Australia, Europe, SE Asia, UK, USA and Canada.

Paul Kreppold

Project Implementation Consultant
Joined in June 2019

Paul has over 30 years' experience in the engineering industry and holds Bachelor degrees in Engineering and Law. In recent years, his primary focus has been on reviewing projects during the study/tender stage and providing input to ensure they are fit for purpose, technically complete, innovative and economical, mainly within the mining industry. Lately, Mr Kreppold served as Chief Civil Structural Engineer of the Goro Nickel Project, a US\$3.3 billion nickel development project in New Caledonia.

RECENT EVENTS

- **May** **121 Mining Investment Singapore** (15 - 16 May)
 121 Mining Investment London (20 - 21 May)
- **June** **121 Mining Investment New York** (4 - 5 June)
 Resources Rising Stars Gold Coast (4 - 5 June)
 Mining Journal Select London (24 - 25 June)

CEO INTERVIEWS

In the beginning of June, Paul Burton spoke with Boardroom.Media about the development of TNG's Mount Peake Project and its main partners.

► **Listen to what Paul had to say here**