TNG LIMITED

HALF-YEAR FINANCIAL REPORT

31 December 2012

ABN 12 000 817 023

Corporate Information

Directors

Jianrong Xu	(Chairman)
Paul Burton	(Managing Director)
Neil Biddle	(Non-Executive Director)
Stuart Crow	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
Wang Zhigang	(Non-Executive Director)

Company Secretary

Simon L Robertson

Registered Office

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Auditor

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Perth WA 6000

Share Registry

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Stock Exchanges

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

Directors' Report

The Directors present their report together with the condensed consolidated interim financial report for the half year ended 31 December 2012 and the independent review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half year are:

Jianrong Xu	(Chairman)
Paul Burton	(Managing Director)
Neil Biddle	(Non-Executive Director)
Stuart Crow	(Non-Executive Director)
Rex Turkington	(Non-Executive Director)
Wang Zhigang	(Non-Executive Director)

TNG Operations

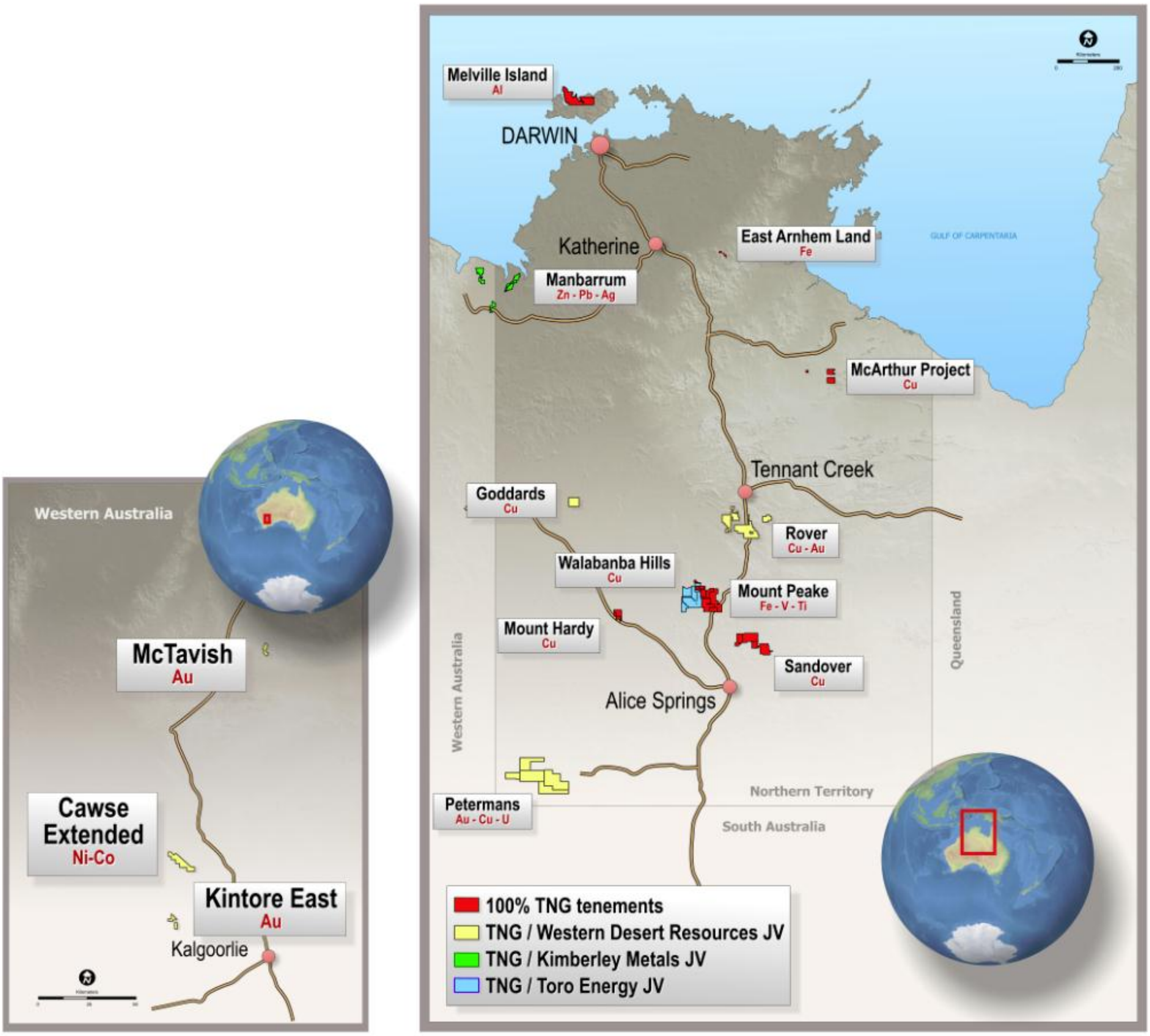

Figure 1: TNG Limited Tenement Map

SUMMARY

The first half of the 2013 Financial Year has been an active and productive period for TNG, with the release of a positive Pre-Feasibility Study (PFS) for its flagship 100%-owned Mount Peake Vanadium-Titanium-Iron Project in the Northern Territory early in the reporting period, and the completion of major exploration programmes both at Mount Peake and at TNG's highly prospective copper exploration portfolio in the Northern Territory.

The Mount Peake PFS confirmed the potential to develop a robust mining operation capable of generating revenues of A$13.6 billion, a pre-tax IRR of 38.7% and operating cash flows of over A$6.7 billion over its initial 20-year life, based on average annual production of 15,300tpa of vanadium pentoxide (V_2O_5), 375,000tpa of titanium dioxide (TiO_2) concentrate and 1.13Mtpa of iron oxide (Fe_2O_3).

Importantly, the PFS also confirmed that testwork on the TIVAN® metallurgical process has progressed to a stage for assessment as economically scalable and feasible at this level of study and stage of the project. Pilot plant testwork returned outstanding analytical results, yielding recoveries of 80% for V_2O_5, which was extracted to a very high purity of 99%. Consequently, TNG and its metallurgical consultants METS are satisfied that TIVAN® will provide a commercial process for the Mount Peake operation.

The Company is now in the process of moving to a Definitive Feasibility Study on the Mount Peake Project, which will consider all commercial options for product value-add, as well as considering alternative location options for the processing plant – which could achieve lower Capex and Opex, a simpler mining operation where magnetite concentrate is transported from site to the plant, and other strategic benefits.

Discussions with potential Feasibility Study engineering contractors and funding providers for development of Mount Peake have been progressed, and negotiations advanced in relation to key transport infrastructure. A Memorandum of Understanding has been secured with rail operator, Genesee & Wyoming, and, subsequent to the end of the reporting period, a Heads of Agreement was signed with Darwin Port Corporation to negotiate the use of Darwin's East Arm Wharf port facilities for the export of vanadium, iron and titanium products from Mount Peake.

The Company has also appointed experienced mining executive, Mr Tony Hadley, as Project Director to lead the future development of the Mount Peake Project.

On the exploration front, the Company's focus at Mount Peake was on completing a detailed drilling programme aimed at extending and upgrading the existing resource, as well as providing drill core for metallurgical testwork. A revised JORC mineral resource estimate is expected during the March Quarter with visual analysis of the drill core indicating the potential for an increase in the overall resource tonnage while at the same time upgrading a significant portion of the resource to Measured status.

New exploration potential is also emerging from the Mount Peake Project area licences, with metallurgical testwork underway on graphite mineralisation intersected in a previous regional diamond drilling program.

The drill hole was targeting base metals mineralisation, but visual inspection indicated that it intersected approximately 40 metres of graphite mineralisation instead. The mineralised intercept is located 100m south of an historic drill hole, drilled by Discovery Nickel in 2006, which also appears to have intersected more than 80 metres of graphite.

Metallurgical testwork is now underway to assess the ability to upgrade the graphite to an economic grade using simple beneficiation (froth flotation), and further assessment of the economic potential of the graphite mineralisation is also underway.

The Mount Hardy Copper Project has also emerged as an exciting new resource asset for the Company during the reporting period, with a major fieldwork campaign completed and the Company's maiden drilling programme confirming numerous high-priority exploration targets. Copper sulphides have now been recorded at a number of locations within the Mount Hardy Project area, and this will be a key focus for TNG in the forthcoming reporting period.

PROJECTS

Mount Peake Project: TNG 100%

The Mount Peake project is located in the Northern Territory close to existing key power and transport infrastructure. The area under licence covers a highly prospective, but poorly explored area of the Western Arunta geological province.

Development Studies

In July 2012 TNG announced the results of the Pre-Feasibility Study (PFS) for its Mount Peake Project, outlining a very robust project capable of generating revenues of A$12 billion and operating cash flows of over A$5 billion over its initial 20-year life.

The PFS results show an increase in life-of-mine revenues and potential cash flows which build on and enhance all previous results from the Scoping Study and interim PFS completed in 2011.

The key highlights of the PFS include:

- Pre-tax Net annual cash flow[1] of $294 million
- Life-of-mine revenues of $13.6 billion
- Pre-tax IRR of 38.7%
- Exchange rate 1USD to 1AUD
- Initial 20-year life with significant extensions available
- 2.5Mtpa operation expanding to 5Mtpa after 4 years
- Average annual production of 15,300tpa V_2O_5, 375,000tpa TiO_2 concentrate and 1.13Mtpa Fe_2O_3
- Year 1 pre-production capital cost estimate of A$339M
- Year 2 pre-production capital cost estimate of A$224M
- Potential pay back in 4 years

[1]Net Annual Cash Flow : Net annual Cash Flow is defined as the average discounted cash flow per annum after all CAPEX (pre-strip CAPEX, initial CAPEX, and expansion CAPEX) has been deducted, but ignores cost or source of capital, hedging, tax, depreciation, rehabilitation and salvage.

On the strength of these results, the Company is now in the process of moving to a Definitive Feasibility Study on the Mount Peake Project.

Any DFS will consider all commercial options for product value-add and plant location options, which, following discussions with Chinese Engineering, Procurement, and Construction Management (EPCM) and financing companies, indicate that the option of building a plant offshore in Asia is a potential advantage. This could result in lower Capex and Opex, a simpler mining operation where magnetite concentrate is transported from site to the plant, and other strategic benefits.

TNG has been assessing proposals from a variety of major development and engineering companies in Asia and Europe to undertake the Feasibility Study and project development for Mount Peake. In particular, the Company is discussing proposals from firms with Chinese connections which can assist with future EPCM and potential funding options.

TIVAN® Process

Importantly, the PFS also confirmed the TIVAN® process for the Mount Peake project development following a highly successful pilot plant testwork program completed in Perth in the June Quarter of 2012. All testwork conducted to date has provided sufficient confidence that the TIVAN® process is both economically scalable and feasible at this level of study and stage of the project. Consequently, TNG and its metallurgical consultants METS are satisfied that TIVAN® will provide a commercial process for the Mount Peake operation.

In addition, the results allow progression to larger throughput confirmatory testwork which will be undertaken with the Australian Commonwealth Scientific Industrial Research Organisation (CSIRO) prior to commissioning.

Prior to commencing the next hydrometallurgical pilot plant, optimisation benchscale testing will be undertaken on key process parameters in each of the unit processes. This will include grinding, magnetic separation, leaching, solvent extraction and acid regeneration.

The pilot testwork is planned to run continuously for 15 days and will provide critical information to allow for the accurate scale-up for an industrial plant for the Mount Peake operation. This will be a key part of the feasibility study.

The TIVAN® patent has now been registered in the following countries:

Registered Patents	
Country	**Registered No**
Australia	208737
Canada	208738
China	208739
Europe	208740
Russia	208741
USA	208742
Malaysia	208902
Singapore	208903
Vietnam	208904

Drilling

A major drilling programme was completed at Mount Peake comprising 14 drill holes for 1,891m of PQ size diamond drill core obtained for metallurgical testwork and 58 Reverse Circulation (RC) drill holes for 7,166m obtained for resource upgrade and extension work.

It is anticipated that a new JORC mineral resource estimate will be available by end Q1, 2013 with the Company expecting that the resource will be upgraded into the JORC Measured category, further de-risking the project as it advances into feasibility.

Visual indications from logging and magnetic susceptibility readings also indicate the potential to achieve an increase in the overall resource.

All diamond drill core has been transported to METS in Perth for plant development and design metallurgical testwork, and all RC samples have been dispatched to ALS Laboratory Group, Perth for assay.

Logistics

During the reporting period, the Company signed a Memorandum of Understanding (MoU) with Genesee & Wyoming Australia Pty Ltd ("G&W"), the rail operator and rolling stock provider for the Northern Territory railway. The agreement is designed to allow G&W to progress a full study on the logistics required to transport TNG's products to the Darwin Port. This study will form part of the overall Feasibility Study for the Mount Peake Project.

In addition, subsequent to the end of the reporting period, in January 2013 TNG signed a Heads of Agreement (HoA) with the Darwin Port Corporation (DPC) to negotiate the use of Darwin's East Arm Wharf port facilities for the export of vanadium, iron and titanium products from the Mount Peake operation.

Under the non-binding agreement, TNG and DPC have established a framework for negotiating and entering into formal agreements for the use of land and facilities at East Arm Wharf by December 2013. These proposed port access arrangements will become a key component of the Mount Peake Feasibility Study.

Funding

The Company has received significant interest in relation to funding the development of the Mount Peake Project, and discussions on a range of funding opportunities for the Project are being assessed.

Mining Licence

As part of the Company's negotiations for a Mining Licence, discussions with the Central Land Council have been progressed, and an agreement is expected to be finalised in 2013.

Evaluation of Graphite Potential

Metallurgical testwork commenced during the reporting period on graphite mineralisation intersected in a previous regional diamond drilling program at Mount Peake.

TNG decided to initiate the testwork program after inspecting drill core from a 2011 drilling program targeting a large 500m by 200m electromagnetic (EM) anomaly, BGC1, on the Mount Peake tenements. While this hole failed to intersect base metal mineralisation, subsequent visual inspection indicates that it intersected approximately 40m of graphite mineralisation.

The mineralised intercept is located 100m south of an historic drill hole, ARD01, drilled by Discovery Nickel in 2006. Inspection of the ARD01 drill core has shown that it also intersected >80m of graphite, providing significant support that the EM anomaly is composed of the conductive graphite, not base metals as previously thought.

Metallurgical testwork is now underway to assess the ability to upgrade the graphite to an economic grade using simple beneficiation (froth flotation).

Further assessment of the economic potential of the graphite mineralisation is also underway.

Graphite is currently in high demand globally, and a successful outcome from this work would add considerable value to the portfolio of strategic metals being developed by TNG in the Mount Peake Project area.

Mount Hardy Copper Project: TNG 100%

Mount Hardy – ELA 29219, EL 27892

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 completed an extensive fieldwork programme during the reporting period, including an airborne VTEM survey; a high-powered ground-EM survey; 3D modelling; and a soil sampling, mapping and rock chip sampling programme focusing on priority targets. This fieldwork programme produced outstanding results, identifying numerous high priority targets with peak rock chip grades of 35.0% copper, 6.85% zinc, 16.15% lead and 7.93g/t gold.

The Company's maiden RC drilling programme was completed at the Mount Hardy Project in late 2012, targeting four EM conductors. This programme comprised a total of seven RC drill holes for 1,712 metres and down-hole electromagnetic (DHEM) surveys were subsequently completed on all drill holes.

The drill results have confirmed the presence of sulphide copper, lead and zinc mineralisation at Mount Hardy, with the DHEM surveys also highlighting multiple off-hole EM conductors and providing numerous new high-priority exploration targets.

However, drill trace analysis has shown that significant deviation occurred in a number of the holes during drilling, resulting in some EM targets being either missed or obliquely intersected.

New targets identified by the DHEM surveys will be further evaluated by a diamond drilling programme expected to commence in March 2013.

Based on these results, the Company now considers that RC drilling is not well suited to the Mount Hardy geological environment, and all future drilling will be conducted with diamond drill rigs to eliminate the risk of hole deviation.

Best results from the Mount Hardy drilling programme were:

- 12m @ 0.65% Cu, 0.39% Pb, 0.87% Zn from 117m (Hole 12MHRC001) at EM Target #1, including:
    - 2m @ 1.75% Cu, 0.33% Pb, 0.67% Zn from 125m;
    - 1m @ 1.08% Cu, 0.12% Pb, 0.22% Zn from 120m;
    - 3m @ 1.16% Cu, 0.59% Pb, 1.67% Zn from 191m, including:
      1m @ 2.35% Cu, 1.16% Pb, 3.08% Zn from 192m

- 6m @ 0.16% Cu, 1.26% Pb, 2.50% Zn from 206m (Hole 12MHRC002) at EM Target #2, including:
    - 1m @ 0.29% Cu, 3.86% Pb, 6.42% Zn from 208m.
    - 1m @ 0.26% Cu, 1.74% Pb, 2.54% Zn from 209m.
    - 1m @ 0.22% Cu, 1.48% Pb, 4.73% Zn from 206m

Despite the technical challenges experienced in this initial drilling programme at Mount Hardy, the positive assays and DTEM results highlight the project's emerging exploration potential, and this will be a key exploration target for the Company in 2013.

During the period TNG also reported significant new results from re-sampling and assaying of historic diamond drill core from the Mount Hardy prospect.

In 1968, seven diamond drill holes were drilled into the Mount Hardy prospect by the Bureau of Mineral Resources (BMR) over a restricted strike length of just 150m. TNG conducted significant rock sampling over this prospect and verified the presence of surface copper mineralisation with surface samples returning copper results of up to 6.84% Cu.

TNG subsequently located the BMR drill core at the Department of Resources core storage facility in Alice Springs, where it has been well preserved. The core was logged, cut and dispatched for laboratory assay, with best intersections summarised below:

Hole Number	From	To	Thickness (m)	Cu%
68MHDDH002	23.5	26.1	**2.6**	**1.69**
68MHDDH003	37.5	44.5	**7.0**	**1.64**
Including	38.7	42.06	**3.3**	**5.7**
68MHDDH004	6.9	17.5	**10.7**	**4.1**
Including	15.8	17.06	**1.2**	**10.6**
	9.44	10.9	**1.5**	**27.2**
68MHDDH005	5.2	10.1	4.9	0.98
68MHDDH006	16.0	19.2	3.2	1.95
68MHDDH007	89.6	107.0	**17.4**	**0.53**

Significant intervals of oxide mineralisation extend down to primary copper sulphide mineralisation to a depth of 122m. In places this remains open at depth. Primary copper sulphides were noted in the logging by TNG geologists, including native copper, chalcocite and chalcopyrite. Extensive intersections of malachite and chalcopyrite were also noted.

The results of the BMR core samples have confirmed the extension of the surface mineralisation at depth over a minimum strike length of 150m. The soil and rock geochemical sample results show the surface anomaly for copper extends for at least 500m and was not tested by the BMR drilling, providing a significant future target at this prospect.

The results provide further evidence that the Mount Hardy Project contains widespread copper mineralisation, further enhancing the prospectivity of the area.

Next Steps at Mount Hardy

The discovery of significant copper mineralisation at depth opens up the Mount Hardy Project for a major exploration programme.

Based on the results received to date, EM Targets #1 and #2 remain highly prospective exploration targets, each hosting sulphide mineralisation beneath outcropping mineralisation which has not yet been adequately drill tested.

In addition, Targets #4 and #5 host significant off-hole EM conductors which represent further exciting drill targets.

The amount of copper oxide on surface and the evidence from drilling that this extends at depth in at least two of the four EM targets tested (EM#1 and EM#2) continues to provide confidence in the potential of the project area.
Follow-up exploration activities at Mount Hardy include:

- Geophysics: An extensive gravity survey commenced in January 2013 over the entire project area to further define drilling targets. The survey is expected to be completed by mid-February, with processed data delivered to TNG by the end of February. Processing and interpretation of this dataset is expected to be completed in March, ahead of the planned commencement of a diamond drilling program. In addition, an Induced Polarisation (IP) survey will be completed over the Mount Hardy and Browns Hill prospect areas to determine the potential for disseminated sulphides at these targets; and

- Diamond Drilling: Follow-up diamond drilling is then planned to commence in March 2013, initially targeting EM Target #1, followed by EM Targets #2-5 and the Mount Hardy and Browns Hill prospect areas. The timing of this drilling remains subject to obtaining regulatory clearances from the Northern Territory Mines Department.

Acquisition of new EL in Mount Hardy area

In November 2012 TNG entered into a contract to further expand its strategic land-holding in the Mount Hardy Copper Field by acquiring an additional tenement, EL 28694, immediately adjacent to the exploration activity outlined above.

The new tenement abuts the Company's existing EL's in the Mount Hardy region and secures an additional 413km^2 area around the Mount Doreen granite.

In addition, the tenement contains other prospective areas that TNG understands have been poorly explored.
TNG has agreed to acquire the tenement from privately owned company Tierra Rica Pty Ltd, for consideration of $95,000 subject to due diligence and all regulatory approvals.

Once the acquisition is completed TNG will boost its total portfolio of prospective copper ground under licence in the Northern Territory to over 10,000km^2, representing one of the largest portfolios of prospective copper ground under licence in the region.

Walabanba Hills JV: Copper
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.

In July 2012 TNG conducted a HELITEM® survey over portions of the Walabanba Hills Project area to identify targets for copper mineralisation. HELITEM® technology has already proved successful in identifying EM anomalies in the Mount Hardy Project area (see above).

Results from the Walabanba Hills survey are currently being assessed.

McArthur River Project: Copper
TNG 100%

During the reporting period, negotiations with Traditional Owners regarding access to McArthur, Yah Yah and Black Springs exploration licences were progressed, and preparations are underway for a detailed exploration programme.

McArthur – EL 27711

The McArthur River tenement, which is 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. The licence has two major copper targets – Kilgour Crossing and Donkey Yard, both of which have been explored intermittently over the past 50 years.

Mineralisation at McArthur River is hosted by the Mallapunyah Formation, in two dolomitic and variably bituminous intervals informally termed the 'upper' and 'lower' copper beds, which are 1m to 150mm thick, respectively. Chalcocite and chalcopyrite are present in the 'lower copper bed' along its strike length of 500m. Copper mineralisation in the lower copper bed 5km north of the Kilgour Crossing prospect comprised approximately equal quantities of chalcocite and bornite.

Previous exploration in the area was conducted by companies including Carpentaria Exploration, Australian Geophysicals, Aberfoyle and Mount Isa Mines.

TNG plans to complete a thorough rock chip sampling program over the region in order to confirm the scope and tenor of mineralisation, and will potentially also conduct a VTEM survey to map the host rock.

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.

TNG plans to complete a thorough rock chip sampling programme over the region in order to confirm the scope and tenor of mineralisation, and will potentially also conduct a VTEM survey to map the host rock. Access to the tenement was declined by the Traditional Owners at this time and a second meeting is being sought.

Black Springs – EL 28503

The Black Springs tenement is located 4km south of McArthur EL 27711 covering southern extensions of the prospective McArthur stratigraphy.

Sandover Project: Copper: TNG 100%

ELA 29252, ELA 29253 and ELA 29254

The Sandover Copper Project tenements are located approximately 100km north-east 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.

All of the Exploration Licences for the Sandover Project have been granted and an exploration programme is currently in preparation.

JOINT VENTURE PROJECTS

Manbarrum Project Joint Venture: TNG 100%
(SHJV earning 51% with scope to earn up to 80%)

Located 82km 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 Manbarrum Project remains a significant asset in a highly prospective region, in which the Company maintains a strategic ground holding. Two deposits totalling in excess of 35Mt of combined zinc-lead-silver mineralisation have been discovered to date, with a number of untested targets, generating a significant Exploration Target of 80-100Mt with a grade range of 1.5%-2% Zn[1].

[1]The potential quantity and grade is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

The major focus of activity during the reporting period was on the development of the Manbarrum geological model, through the extension and in-fill of regional gravity surveys, geological mapping and compilation of historical data including a drillhole database currently comprising approximately 550 collars, for which assay data has been captured for approximately 400 holes.

In light of the successful application of gravity surveys at the nearby Sorby Hills Project, KBL completed an in-fill and extensional gravity survey over the Manbarrum tenure. Approximately 750 further gravity stations were acquired and results are currently being finalised.

Regional geological mapping was also completed which has allowed the delineation of preferential host lithologies prospective for Mississippi Valley Type (MVT) mineralisation. This has also highlighted the presence of key structures which are likely to influence mineralisation distribution. Compilation of the data from this mapping is ongoing. This work will underpin the development of a regional geological model that will be utilised in future exploration targeting within the Manbarrum Project.

KBL have progressed with their development plans for Sorby Hills which will have direct implications for future development of Manbarrum.

KBL also undertook a review of the existing resource at the Sandy Creek resource at different cut-off grades, highlighting the presence of discrete high-grade zinc and lead zones that are spatially separate. Silver was reported, but did not influence cut-off values. As a result, metal equivalents (Zn, Pb & Ag) are now being assessed in order to outline the potential for shallow economic mineralisation. KBL is currently working to establish metal recoveries to assist with this new interpretation.

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

The Rover Project covers three granted exploration licences in the lucrative Tennant Creek goldfields, two of which (EL24471 and EL25581) are in joint venture with TNG Ltd and one (EL28128) is 100% held by WDR.

During the Quarter, WDR advised that drilling was completed at the Rover JV, comprising four diamond drill holes for a total of 1,542.9m to test the BIF Hill gold-copper prospect.

The BIF Hill prospect comprises an isolated outcrop of Banded Iron Formation (BIF) and sediments. In 1973 Peko and Australian Development Limited (ADL) drilled three relatively shallow diamond holes to a maximum vertical depth of 120m, returning good gold mineralisation near the main geophysical target. Gold intersections reported from these holes included:

Summary of gold intersections reported from historical drilling at BIF Hill

Drillhole	Total length	Downhole depth from	Downhole depth to	Interval	Au g/t
DDH426	113	75.0	76.2	1.2	0.60
DDH428	128	3.0	18.2	15.2	1.00
DDH428	128	64.6	65.8	1.2	2.80
SHDH95	73	6.1	15.2	9.1	0.31

The prospect was briefly explored in the 1980s. No further work has been carried out at BIF Hill for the past 25 years. In respect of the intensity of exploration in the Tennant Creek and Rover fields since that time, the presence of gold at shallow depths and the 1.2m intersection @ 2.8 gram/tonne makes BIF Hill a highly prospective target.

Geological logging of the holes has been completed and, while no visible gold was reported, there are some encouraging signs, including good intersections of ironstone and abundant quartz-carbonate veining with minor sulphides, including pyrite, chalcopyrite and bornite. Sampling of the core is in progress.

East Rover Target

An IP survey was carried out at East Rover in order to pinpoint specific targets highlighted in the gravity and EM data. Eight IP traverses were carried out over three separate areas and three high priority chargeability anomalies were detected.

WDR took advantage of the drill rig being in the area at BIF Hill and immediately commenced drilling of these IP targets. Three diamond holes were drilled, two sited adjacent to the Rover 1 deposit and one on the eastern edge side, where the densest body is modelled.
A total of 1,429.8m was drilled, including pre-collars. Structural analysis and geochemical sampling of the core is underway.

McTavish Project Joint Venure: TNG 2% Royalty, Barminco 70%

No work was undertaken during the reporting period.

Kintore East Joint Venture: TNG 20%, La Mancha 80%

TNG retains a 2% gold royalty in these prospective tenements. No work was reported by La Mancha.

NICKEL
MINING PROJECTS: Nickel Cawse Extended Joint Venture: TNG 20%, Norilsk 80%

The Cawse laterite nickel operation has been placed on indefinite care and maintenance by Norilsk Nickel Australia.

BAUXITE
Melville Island Licence

TNG formally signed the farm-in and joint venture agreement on its 100%-owned Melville Island licence ELA 28617 in the Northern Territory with Rio Tinto Exploration Pty Ltd (RTX) during the reporting period.

TNG will receive an initial cash payment of $50,000, and RTX will progress negotiations and grant of the licence application for bauxite exploration. Following the grant of the licence RTX must spend $5 million within 4 years to earn 80% equity in the project with TNG retaining 20% equity at which point TNG may elect to contribute, sell or convert its equity to a 2% Net Smelter Royalty (NSR).

The Melville Island Exploration licence application has been a strategic licence for TNG being located in a prospective area for bauxite and other minerals. The licence area covers approximately 1,400km^2.

The transaction is consistent with TNG's focus on the continued evaluation and development of its flagship Mount Peake Project. It has been structured so that TNG will retain either a 20% interest or 2% NSR giving it continued exposure to the potential exploration upside of the project.

CORPORATE

Senior Appointments

During the reporting period, TNG appointed two senior executives to spearhead the Company's growth.

Mr Tony Hadley was appointed to the newly created role of Project Director, to oversee the feasibility and development of the Mount Peake Project, and Mr Kim Grey was appointed Exploration Manager to oversee the expansion of exploration activities across TNG's portfolio of resource assets in the Northern Territory.

Mr Hadley commenced with TNG on 19 November following a 10-year stint in a range of senior positions with Lynas Corporation, where he successfully designed and commissioned the world's first rare earth phosphate flotation concentrator at Mt Weld. While at Lynas, he was Registered Manager and Production Manager at the Mt Weld Operation following construction and delivery of the Project. Before that, he was Manager of Process Flowsheet Development, responsible for managing the Upstream and Downstream piloting, as well as delivering the Definitive Feasibility Studies for the Rare Earth Flotation Concentrator for locations in Australia, China and Malaysia.

A metallurgist with over 20 years' experience in operations, technical development and project design and management, engineering and commissioning, Mr Hadley was previously Metallurgical Superintendent at the Macraes Gold Project in New Zealand, Mill Manager at the Jianchaling Nickel-Gold Mine in China and Plant Metallurgist at Great Central Mines' Bronzewing Gold Mine.

He holds a Bachelor of Science from Murdoch University with a double major in Extractive Metallurgy and Chemistry.

Mr Hadley will play a key role in leading the Project Development Team for the Mount Peake Project.

Mr Grey has over 15 years' experience as an exploration geologist, including senior roles with a number of Australian resource companies including Goldminex Resources, Mincor Resources and Norilsk Nickel Australia.

He has been involved in the discovery and delineation of a variety of ore deposits both in Australia and internationally, including nickel, gold, porphyry and sediment-hosted copper, heavy mineral sands, base metals, and industrial minerals.

Davis Samuel

Commonwealth and Davis Samuel

In the period September to December 1998 management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee Directors committed TNG to a series of transactions involving expenditure totalling $1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its Directors which effectively provided for the repayment of the funds expended, and TNG would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing TNG from selling or otherwise disposing of them. The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 Settlement Agreement.

The Commonwealth is on notice that if TNG suffers damages as a result of the Commonwealth's injunction, and the Commonwealth ultimately fails to prove its constructive trust claim, TNG will claim the damages from the Commonwealth.

The Commonwealth claims that it is entitled to $1,274,000 for the value of the Kanowna Lights shares plus about $1,000,000 interest since early 2000. If TNG is unsuccessful in the proceedings, it may also be liable to pay the Commonwealth costs, bringing the total possible liability to an expected maximum of about $3,400,000.

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark.

TNG is also vigorously defending the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008. The court has reserved its decision, which is not expected for some time due to the length of the hearing.

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal costs.

In November 2009 TNG advised that certain of the other defendants had sought to have the case re-opened. The submissions to re-open were heard on 9 November 2009 and 5 February 2010. The Commonwealth and TNG opposed the application to reopen. The court also reserved its decision on that application.

TNG has been advised by the court that the decisions were anticipated to be handed down on various dates which have since passed and has through its lawyers and the ACT Law Society sought further information as to when the decisions will be given. The latest information in 2012 was that a decision was likely to be given in 2013, it is still however not possible to predict the likely outcome or timing.

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the Commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal costs.

Financial Position

The group recognised a net profit after tax for the half-year of $170,101 (half-year ended 31 December 2011: loss of $584,780). At 31 December 2012 TNG had cash reserves of $7,247,755 (31 December 2011: $1,965,150).

AGM

The Annual General Meeting of the Company was held on 21 November 2012. All resolutions were passed on a show of hands. Resolution 15 "Approval of grant of options to Mr Jianrong Xu" was withdrawn and not put to the meeting.

Subsequent events

Subsequent to the end of the reporting period, TNG appointed leading global engineering and environmental consulting group, GHD, to complete the Environmental Impact Study (EIS) for the Mount Peake Project.

Field studies will commence immediately to capture data from the current wet season activity, and the completed EIS is expected to be submitted to the Northern Territory Environment Protection Authority during Q1 2014.

The EIS will evaluate the environmental impacts of mining and processing the magnetite deposit at Mount Peake including:

- Preparation and submission of a Notice of Intent (NOI) to the Northern Territory Department of Mines and Energy – this is expected to be submitted before the end of Q1 2013;
- Referral to the Commonwealth for assessment under the Environment Protection and Biodiversity Conservation 1999 Act;
- Development and implementation of a surface water and groundwater monitoring programme and assessment;
- Flora and fauna surveys and assessment;
- Heritage surveys and assessment;
- Social impact assessment;
- Air quality assessment;
- Noise and vibration assessment;
- Transport assessment;
- Greenhouse gas emission assessment;
- Waste management;
- Regulator liaison;
- Public consultation;
- Economic assessment;
- Mine closure and rehabilitation; and
- Preparation and submission of the EIS.

GHD is one of the world's leading engineering and environmental consulting companies, with local offices in Perth, Darwin and Beijing. The group has an extensive working knowledge of the Northern Territory environment, and a thorough understanding of the regulatory authority requirements and standards, making them ideally suited to undertake the Mount Peake EIS for TNG.

In addition, TNG has signed a Memorandum of Understanding (MoU) with a leading Austrian/German-based international engineering, metallurgical, development, and technology company and plant supplier, referred to as "the engineering and technology specialists (ETS)", for discussions regarding the commercial development of the TIVAN® hydrometallurgical process.

The MoU contemplates the potential involvement of the ETS in the future commercialisation of TIVAN®, including the potential award of an Engineering, Procurement and Construction (EPC) contract for a TIVAN® processing plant.

The ETS is globally recognised as a leading engineering and design company for all types of metallurgical plants and equipment, with €3-4 billion in sales revenue in 2012 globally.

Following the signing of the MoU, the ETS will commence due diligence on the TIVAN® Process, and also participate in the next stage of development work aimed at providing the final parameters for the upscale design of a full commercial-sized operating plant.

Subject to the successful completion of a due diligence process, the ETS may then consider investment at either a corporate or project level, and may also be provided with an opportunity to tender for the award of future construction of all TIVAN® plants assuming the successful completion of pilot-plant feasibility trials.

The MoU was subject to approval by the Board of Directors of both TNG and the ETS and these approvals have now been obtained.

A formal agreement was also signed on 30 January 2013 with the Commonwealth Scientific & Industrial Research Organisation (CSIRO) for the completion of a definitive pilot plant trial, representing the next phase in the Company's metallurgical testwork program for the Mount Peake Project.

Under the agreement, the CSIRO has been engaged to undertake the design, construction and operation of a pilot plant using the TIVAN® Process, which will run continuously for up to 15 days to provide critical information for the scale-up to an industrial-sized plant for the Mount Peake mining operation.

The test work results will be completed at CSIRO's extensive facilities in Western Australia.

Prior to the commencement of the pilot plant program, the CSIRO will work with METS to complete optimisation testing on critical process parameters in each of the unit processes. This will include grinding, magnetic separation, leaching, solvent extraction and acid regeneration.

The bench-scale testing will commence immediately, and it is expected that the pilot plant trial will be completed in Q4 of 2013.

On 31 January 2013 TNG signed a Heads of Agreement (HoA) with the Darwin Port Corporation (DPC) to negotiate the use of Darwin's East Arm Wharf port facilities for the export of vanadium, iron and titanium products from the Mount Peake operation. Under the non-binding agreement, TNG and DPC have established a framework for negotiating and entering into formal agreements for the use of land and facilities at East Arm Wharf by December 2013.

On 7 February 2013 TNG appointed Arccon Mining Services to complete the Definitive Feasibility Study (DFS) for Mount Peake Vanadium-Titanium-Iron Project in NT.

The DFS will define key requirements for the Mount Peake Project development, including:

- Civil/structural, mechanical and electrical engineering;
- Project implementation, including a master schedule and project procurement, contracting and construction plans;
- Project infrastructure and logistics requirements; and
- Capital and operating cost estimates to +/- 10% accuracy

TNG is targeting completion of the DFS during Q4 2013, and is aiming to commence construction of the Project in 2014, with production and exports proposed to commence in 2015.

The DFS, EIS, TIVAN® development work and port access agreement are the final stepping stones to move the Mount Peake Project into development.

The Group is in the process of considering appropriate funding options to proceed with the next stage of development.

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

The lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for the half-year ended 31 December 2012.

Signed in accordance with a resolution of the Directors

Paul E Burton
Managing Director

13 March 2013

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 2012 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.

KPMG

KPMG

DMcComish

Denise McComish
Partner

Perth

13 March 2013

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 December 2012

	Note	31 December 2012 $	31 December 2011 $
Net gain on sale of available-for-sale assets		-	9,111
Other income	6	2,170,585	942,925
Total income		2,170,585	952,036
Occupancy expenses		(146,680)	(126,506)
Administrative expenses		(40,608)	(57,513)
Employment expense		(426,604)	(286,229)
Corporate expenses		(1,267,743)	(955,726)
Depreciation and amortisation expense		(46,128)	(27,051)
Share based payment expense for consultants/employees		(209,886)	-
Other expenses		(49,499)	(7,625)
Change in fair value of investments held for trading		-	(1,534)
Impairment loss on tenements		-	(59,451)
Results from operating activities		(16,563)	(569,599)
Financial income		186,664	59,833
Financial expenses		-	(62,877)
Net financing income/(Expense)		186,664	(3,044)
Loss before income tax		170,101	(572,643)
Income tax benefit		-	(12,137)
Profit/(Loss) for the period		170,101	(584,780)
Other comprehensive income			
Net change in the fair value of available-for-sale financial assets reclassified to profit and loss		-	(192,754)
Other comprehensive income/(loss) for the period		-	(192,754)
Total comprehensive income/(loss) for the period		170,101	(777,534)
Earnings/(loss) per share (cents per share)			
Basic and diluted earnings/(loss) per share		0.042	(0.22)

The condensed consolidated interim statement of 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 2012

	Note	31 December 2012	30 June 2012
		$	$
Current Assets			
Cash and cash equivalents		7,247,755	10,230,274
Other receivables		505,512	353,818
Prepayments		144,065	88,523
Other investments		100,000	100,000
Total current assets		7,997,332	10,772,615
Non-Current Assets			
Plant and equipment		287,482	228,733
Exploration and evaluation expenditure	7	17,239,091	13,396,389
Total non-current assets		17,526,573	13,625,122
Total assets		25,523,905	24,397,737
Current Liabilities			
Trade and other payables		1,867,528	1,206,554
Provisions		87,047	76,840
Total current liabilities		1,954,575	1,283,394
Total liabilities		1,954,575	1,283,394
Net assets		23,569,330	23,114,343
Equity			
Issued capital	8	40,509,578	40,434,578
Accumulated loss		(16,940,248)	(17,320,235)
Total equity		23,569,330	23,114,343

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 2012

	31 December 2012 $	31 December 2011 $
Cash flows from operating activities		
Cash receipts in the course of operations	38,818	243,103
Cash paid to suppliers and employees	(2,373,064)	(1,671,151)
Interest received	205,593	72,257
Research and Development tax offset claim	2,120,585	695,987
Net cash (used in)/from operating activities	(8,068)	(659,804)
Cash flows from investing activities		
Payments for exploration and evaluation	(2,736,603)	(2,579,892)
Payments for purchase of tenements	(245,000)	-
Payments for plant and equipment	(104,877)	(130,049)
Payments for issue of security bonds	(12,971)	(5,848)
Payments from purchase of investments	-	(100,000)
Proceeds from sale of tenements	50,000	-
Proceeds from sale of investments	-	330,130
Net cash used in investing activities	(3,049,451)	(2,485,659)
Cash flows from financing activities		
Proceeds from loans and borrowings	-	2,000,000
Net proceeds on exercise of options	75,000	-
Cost of shares issued	-	(99,775)
Net cash received from financing activities	75,000	1,900,225
Net decrease in cash and cash equivalents	(2,982,519)	(1,245,238)
Cash and cash equivalents at 1 July	10,230,274	3,210,387
Cash and cash equivalents at 31 December	7,247,755	1,965,149

This condensed consolidated statement of cashflows 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 2012

	Issued Capital $	Accumulated loss $	Fair Value Reserve $	Total Equity $
Balance at 1 July 2011	27,135,277	(13,889,875)	192,754	13,438,156
Net change in fair value of available-for-sale-investments reclassified to profit and loss	-	-	(192,754)	(192,754)
Net loss for the period	-	(584,780)	-	(584,780)
Total comprehensive income for the period	-	(584,780)	(192,754)	(777,534)
Transactions with owners, recorded directly in equity				
Cost of share issue	(99,775)	-	-	(99,775)
Balance at 31 December 2011	**27,035,502**	**(14,474,655)**	**-**	**12,560,847**
Balance at 1 July 2012	40,434,578	(17,320,235)	-	23,114,343
Net profit for the period	-	170,101	-	170,101
Total comprehensive income for the period	-	170,101	-	170,101
Transactions with owners, recorded directly in equity				
Options exercised	75,000	-	-	75,000
Share based payment expense		209,886	-	209,886
Balance at 31 December 2012	**40,509,578**	**(16,940,248)**	**-**	**23,569,330**

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 2012 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 2012 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 2012.

The consolidated interim financial report was approved by the Board of Directors on 13 March 2013.

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 2012.

Comparative amounts in the consolidated statement of profit or loss and other comprehensive income have been reclassified to conform with the current year's presentation. Specifically, income resulting from the Research and Development tax offset claim has been classified as other income to reflect the nature of this item more appropriately. Comparative amounts have been reclassified for consistency, which resulted in $695,987 being reclassified from income tax benefit to other income.

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 2012.

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.

6. Other income

	31 December 2012 $	31 December 2011 $
Research and development tax offset claim	2,120,585	695,987
Other income	50,000	246,938
	2,170,585	942,925

Notes to the condensed consolidated interim financial statements

7. Exploration and evaluation expenditure

Cost	31 December 2012 6 months $	30 June 2012 12 months $
Balance at the beginning of the period	13,396,389	10,401,797
Exploration and evaluation expenditure	3,842,702	4,299,565
Impairment	-	(1,304,973)
Balance at the end of the period	17,239,091	13,396,389

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 $17,239,091 of which $5,296,895 is attributable to the entity's Manbarrum project, $10,217,040 attributable to the Mount Peake project and the balance relating to Cawse Extended and other current exploration programs.

Manbarrum

On 9 February 2011 TNG signed a Joint Venture Agreement on the Manbarrum project with the Sorby Hills Joint Venture ("SHJV"). The SHJV is a Joint Venture between ASX listed Kimberley Metals Limited (ASX: KBL) and Yuguang (Australia) Pty Ltd.

Under the terms of the agreement the SHJV must spend $4,500,000 to earn a 51% interest in the project. TNG is due to receive a cash payment of $2,500,000, comprising an initial payment of $500,000 received in 2011 and an expected contractual final payment of $2,000,000 due by December 2013. In addition, the SHJV must spend a further $2,000,000 on exploration at Manbarrum over the next three field seasons. The final payment of a further $2,000,000 is contingent upon SHJV electing to participate in the Joint Venture.

On completion of earn-in a formal Joint Venture will be formed between TNG and SHJV for the ongoing development of the Manbarrum Project, with TNG retaining a 49% stake.

The SHJV can elect to increase its stake in the Manbarrum Project to 80% by sole funding all exploration and development activities through to a Decision to Mine. On SHJV earning 80% interest, TNG may maintain its 20% interest or sell its 20% interest to SHJV for $3,000,000 (CPI indexed) with a 2% net smelter royalty (NSR) or convert it 20% interest to a 3% NSR.

8. Capital

	31 December 2012	30 June 2012
Issued and paid-up share capital	**$**	**$**
426,636,517 (June 2012: 406,861,517) ordinary shares, fully paid	40,509,578	40,434,578

Movements in shares on issue	**Number**	**$**
Balance as at 1 July 2012	406,861,517	40,434,578
Share issue – Directors, employees and consultants (i)	19,275,000	-
Options exercised	500,000	75,000
Balance as at 31 December 2012	426,636,517	40,509,578

(i) Granted in the form of limited recourse loans (refer Note 11)

Notes to the condensed consolidated interim financial statements

9. Contingent liabilities

Davis Samuel

Commonwealth and Davis Samuel

In the period September to December 1998 management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee Directors committed TNG to a series of transactions involving expenditure totalling $1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its Directors which effectively provided for the repayment of the funds expended, and TNG would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing TNG from selling or otherwise disposing of them. The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 Settlement Agreement.

The Commonwealth is on notice that if TNG suffers damages as a result of the Commonwealth’s injunction, and the Commonwealth ultimately fails to prove its constructive trust claim, TNG will claim the damages from the Commonwealth.

The Commonwealth claims that it is entitled to $1,274,000 for the value of the Kanowna Lights shares plus about $1,000,000 in interest since early 2000. If TNG is unsuccessful in the proceedings, it may also be liable to pay the Commonwealth costs, bringing the total possible liability to an expected maximum of about $3,400,000.

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark.

TNG is also vigorously defending the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008. The court has reserved its decision, which is not expected for some time due to the length of the hearing.

In November 2009 TNG advised that certain of the other defendants had sought to have the case re-opened. The submissions to re-open were heard on 9 November 2009 and 5 February 2010. The Commonwealth and TNG opposed the application to reopen. The court also reserved its decision on that application.

TNG has been advised by the court that the decisions were anticipated to be handed down on various dates which have since passed and has through its lawyers and the ACT Law Society sought further information as to when the decisions will be given. The latest information in 2012 was that a decision was likely to be given in 2013, it is still however not possible to predict the likely outcome or timing.

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the Commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal costs.

Notes to the condensed consolidated interim financial statements

9. Contingent liabilities (Continued)

Subscription agreement

On 7 November 2011, TNG signed the subscription agreement with the East China Mineral Exploration & Development Bureau ("ECE") formalising the previously announced strategic partnership.

In summary, the Subscription Agreement provided that:

the Subscribers agreed to subscribe for and the Company agrees to issue 122,058,455 Shares as follows:

(i) 62,249,812 Shares to Ao-Zhong; and

(ii) 59,808,643 Shares to Aosu,

The Company also represents and warrants to the Subscribers that any liability which any court may order the Company to pay in respect of legal proceedings known as *The Commonwealth v TNG Limited* (Davis Samuel Claim) will not exceed a value of $500,000. If this representation and warranty is found to be incorrect (following the final determination of the Davis Samuel Claim after any avenues of appeal which any party to the Davis Samuel Claim elects to pursue have been exhausted), the Company will be liable to pay as liquidated damages to the Subscribers an amount that is the lesser of:

(a) $1,500,000; or

(b) court ordered liability (including for damages and costs other than the Company's own legal costs incurred before the date of the Subscription Agreement) x 29.999%.

The Subscribers were unwilling to enter into the Subscription Agreement unless the Company included this clause to compensate the Subscribers (up to a cap of $1,500,000) in respect of any liability incurred as a result of the Davis Samuel Claim (if the Company's liability exceeds $500,000). Whilst the company is anticipating it will continue to incur legal costs, as identified above, it is vigorously defending the claim. The Company does not anticipate that its liability (as defined in the Subscription Agreement) in respect of the Davis Samuel Claim will exceed $500,000.

10. Related party transactions

Consulting fees are paid to Hatched Creek Pty Ltd and Katarina Corporation Pty Ltd of which Neil Biddle and Rex Turkington are related parties of respectively.

Ballyhoo Pty Ltd and Aosu Investment and Development Co Pty are related parties of Stuart Crow and Wang Zhigang respectively.

	Transaction value Six months ended	
	31 Dec 2012	31 Dec 2011
Expenses		
Ballyhoo Pty Ltd – consulting services	-	18,089
Hatched Creek Pty Ltd – consulting services	29,273	81,818
Katarina Corporation Pty Ltd – consulting services	18,885	20,835
Aosu Investment and Development Co Pty - interest	-	62,877
Loans and borrowings		
Aosu Investment and Development Co Pty - loan	-	2,000,000

Notes to the condensed consolidated interim financial statements

11. Share based payments

During the half year ended 31 December 2012 the following shares and options were issued:

Issue	Grant date/ partipant entitled	Number	Vesting conditions	Contractual life of option
1	Shares granted to employees on 27 November 2012	4,275,000	1 years' service	5.0 years
1	Shares granted to consultants on 27 November 2012	3,000,000	1 years' service	5.0 years
1	Shares granted to directors on 27 November 2012	6,000,000	1 years' service	5.0 years
2	Shares granted to Managing director on 27 November 2012	6,000,000	1 years' service	5.0 years
3	Options granted to directors on 27 November 2012	2,000,000	1 years' service	3.0 years
3	Options granted to consultants on 27 November 2012	1,000,000	1 years' service	3.0 years
4	Options granted to employees on 2 August 2012	1,800,000	Nil	0.37 years

21,100,000 share options were on issue at 30 June 2012. These share options expired unexercised at 15 December 2012 except for 500,000 share options which were exercised during the period.

The fair value of equity share options granted is estimated at the grant dates using the Binomial model, taking into account the terms and conditions upon which the options are granted.

Instruments issued during the period

b) Shares and Loans issued under TNG Employee Share Plan and TNG Non-Executive and Consultant Share Plan

19,275,000 shares were issued subject to the terms of the TNG share plans which were approved by shareholders on 21 November 2012. The Plan Shares issued cannot be sold transferred, assigned, charged or otherwise encumbered for 12 months after the date of issue.

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 must arrange to sell the shares and pay TNG any outstanding loan amount in accordance with the terms of the Share Plan.

The following inputs were used in the measurement of the fair values at grant of the shares and loans:

	Issue 1	Issue 2
Dividend yield	0.00%	0.00%
Share price at date of grant	$0.139	$0.139
Exercise price	$0.139	$0.085
Volatility	85%	85%
Risk free rate	2.86%	2.86%
Expiration date	26 Nov 2017	26 Nov 2017
Binomial valuation	$0.095	$0.105

Notes to the condensed consolidated interim financial statements

11. Share based payments (Continued)

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

3,000,000 options were issued subject to the terms of the TNG Non-Executive and Consultant option Plan which was approved by shareholders on 21 November 2012.

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

	Issue 3
Dividend yield	0.00%
Share price at date of grant	$0.139
Exercise price	$0.235
Volatility	85%
Risk free rate	2.74%
Expiration date	26 Nov 2015
Binomial valuation	$0.060

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

1,800,000 options were issued subject to the terms of the TNG s' existing Share Option Plan. All 1,800,000 options expired unexercised on 15 December 2012.

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

	Issue 4
Dividend yield	0.00%
Share price at date of grant	$0.08
Exercise price	$0.15
Volatility	85%
Risk free rate	2.86%
Expiration date	15 Dec 2012
Binomial valuation	$0.003

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.

Directors' Declaration

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

1 the financial statements and notes set out on pages 16 to 25, 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 2012 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

13 March 2013

KPMG

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

Report on the financial report

We have reviewed the accompanying half-year financial report of TNG Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2012, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the half-year ended on that date, notes 1 to 11 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 end's 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 2012 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 2012 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*.

KPMG

KPMG

Denise McComish

Partner

Perth

13 March 2013