

September 2017 Quarterly Activities Report

HIGHLIGHTS

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

- Further progress was achieved during the Quarter across all key areas required to launch the development of the large-scale Mount Peake Vanadium-Titanium-Iron Project.
- Field work and report compilation is now underway to facilitate finalisation of the Environmental Impact Statement (EIS). This work is on-track for completion in November, with the EIS expected to be approved by the end of 2017.
- Work on an updated mine site beneficiation flowsheet for the Mount Peake Concentrator was completed by Como Engineers, with the TIVAN™ refinery flowsheet also updated by SMS.
- Compilation of revised CAPEX and OPEX figures is now being undertaken by Snowden incorporating all updated information and pricing.
- The financial model being compiled by Gresham Partners for presentation to potential funding partners is also advancing.
- The updated CAPEX and OPEX figures will be announced together with the new financial model in Q4 2017.
- Discussions with potential titanium off-take partners were significantly advanced during the Quarter, and the Company hopes to make an announcement about titanium production and off-take in Q4 2017.
- Leading German Government-owned KfW IPEX-Bank GmbH, a specialist financier in export and project financing with a dedicated track record in Export Credit Agency backed financing, visited TNG's offices in Perth for a detailed briefing on the project. TNG subsequently received an expression of interest to undertake financing of the project subject to further due diligence and an updated financial model.
- Non-binding expressions of interest were received for the equity component of the project funding.
- Other technical, engineering and environmental studies are continuing prior to a Final Investment Decision (FID).

CORPORATE

- Presentation to TiO₂ World Summit by TNG's Titanium Business Manager, Mr Philippe Guillemaille.
- Another strong quarter for strategic metals pricing across TNG's commodity suite:
 - **Vanadium pentoxide** prices have gone up significantly (+50%), being supported by structural changes in supply, new safety regulations in China pushing the use of vanadium in steel, stable demand and growing use in Vanadium Redox Batteries (VRB's) for energy storage applications. TNG is maintaining a very good relationship with Woojin, its future vanadium off-taker, having had a productive meeting in Seoul in September 2017 while also advancing discussions with leading global Vanadium Redox Battery groups;
 - **Titanium dioxide pigment** prices are also strengthening with a price increase of 7% over Q3, 2017 and a further increase expected in Q1, 2018. TNG is well engaged with leading global TiO₂ pigment groups and should be able to conclude binding agreements in the next quarter; and
 - **Pig iron prices** have also increased by 8% this quarter on the back of sustained demand and healthier margins in the steel industry.
- Cash reserves of \$5.1M at Quarter-end, providing a strong foundation for ongoing pre-development activities.

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 (refer to Table 1 on page 5 of this report for a full Statement of the Mineral Resource), Mount Peake is one of the largest undeveloped vanadium-titanium-iron projects in the world.

The area under licence covers a highly prospective, but poorly explored part of the Western Arunta geological province which offers significant exploration upside for TNG within an extensive 100%-owned ground-holding. TNG completed a Feasibility Study on the Mount Peake Project in July 2015, 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.

Environmental Impact Statement

The Northern Territory Environment Protection Authority (NTEPA) has provided detailed feedback relating to the Supplement to the Environmental Impact Statement (EIS) for the Mount Peake Mine site submitted by TNG's environmental consultant and contractor GHD.

TNG has worked closely with the NTEPA to agree a scope of the required work to finalise the EIS submission. A fieldwork component of the study has been completed and other activities have significantly progressed. The Company is not aware of any major issues with the EIS and no foreseen impediments to the development of the Mount Peake Mine Site Project are expected. An approved EIS is expected by the end of 2017.

The EIS for the proposed Darwin downstream processing site has also commenced and is expected to be completed by the end of 2017. The Company is not aware of any major issues or impediments to this EIS, subject to confirmation of the final TIVAN™ flowsheet and associated plant equipment.

Como Engineering

Optimised variability test work overseen by Como Engineers and undertaken at laboratories in Perth has been completed as part of the finalisation and equipment selection of the planned Mount Peake Mine Site Concentrator flowsheet. This test work has been very successful and met the specifications for the TIVAN™ Darwin Process Plant, as required by the Company's strategic development partner, the global engineering group SMS group.

Optimisation test work has also been successful in reducing the fines content of the concentrate by optimising the beneficiation method, which will enable a reduction in downstream material handling cost, and improved recoveries.

Como Engineers also completed the Mine Site beneficiation flowsheet and proposed to TNG that they manage the tender documents for the Mount Peake Concentrator. This proposal is under review.

SMS group

SMS group completed the final processing flowsheet for the Company's planned processing facility in Darwin, which includes the 100%-owned TIVAN™ process. The Company has also received two commercial options for titanium pigment production from SMS and is considering these in relation to its ongoing off-take discussions.

SMS is also investigating the separation of a silica by-product, which could potentially yield an additional revenue stream for TNG. SMS and TNG have been involved together with meetings for processing, and off-take discussions with major European, Eastern European and Chinese pigment producers and distribution groups to finalise this important part of TNG's product suite.

SMS is now finalising the design of the TIVAN™ plant with optimised specifications. SMS has provided updated CAPEX and OPEX estimates to Snowden which will be used to update the financial model.

Project Finance

TNG hosted senior executives from the leading German Government-owned KfW IPEX-Bank GmbH, a specialist financier in export and project financing with a dedicated track record in Export Credit Agency backed financing.

The meeting was attended by the KfW IPEX-Bank mining finance team and the SMS group head of finance, together with other SMS executives. The parties intend to reconvene in Germany once the revised CAPEX, OPEX and financial model for the Mount Peake Project is available. TNG subsequently received an expression of interest letter indicating KfW's interest in participating in the Company's project finance, subject to further due diligence. KfW will assist TNG to schedule a meeting with Euler-Hermes, the German ECA funder, as the next step in this process. This meeting is expected to take place in Hamburg in November 2017.

TNG has received non-binding expressions of interest for the equity component of the project funding and remains committed to securing these.

The Company's Financial Advisor, Gresham Partners, is preparing a full financial model for presentation to KfW IPEX-Bank and other parties. This financial model is now in the final stages of completion and is expected to be announced in the near future.

Working Capital

The Company anticipates that it has sufficient funds to complete its pre-development work streams prior to tendering for final engineering and construction. The Company will continue to closely monitor its funding requirements.

Research & Development Refund

The Company has submitted a \$1.7 million refund application for R&D work for the 2016-2017 year. If successful, this will further strengthen the Company's cash position.

Titanium Off-take

Discussions with potential off-take partners for Mount Peake's titanium product were significantly advanced during the Quarter, and the Company expects to make an announcement about titanium production and off-take during Q4 2017.

The parties with whom the Company has been in discussions wish to remain anonymous at this stage until a final binding agreement has been reached.

The Company confirms that it is in receipt of a binding off-take proposal for 100% of its titanium product off-take and this is now being reviewed by the Company's lawyers. The Company is committed to securing the best outcome for shareholders and to vigorously expediting the completion of any such agreement.

Commodity Pricing Development

TNG's expected production commodities have all seen a significant rise in price over the past quarter, further strengthening the economics of the Mount Peake Project and supporting the Company's overall strategy of focusing on strategic metals. For example:

- The V₂O₅ price is up 50% at US\$9/lb V₂O₅ from US\$6/lb V₂O₅ in June 2017;
- The TiO₂ price is up 7% at US\$3,200/tonne from US\$3,000/tonne in June 2017; and
- The pig iron price is up 8% at US\$400/tonne from US\$370/tonne in June 2017.

Importantly, the price increases outlined above appear to represent more of a reversion to the historical mean prices after a period of extremely low sentiment in the industry, rather than a sudden bullish sentiment.

Mining Lease

The Company has submitted a Mining Lease Application to the Northern Territory Government.

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

TNG remains committed to securing the best deal for shareholders as part of this Mining Agreement, and is working towards completing this process in the near future.

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, and requires further drilling and metallurgical testing. This may occur in 2018.

Other Projects

Cawse Extended Mine Project: Nickel-Cobalt (80%: Mesmeric / 20%: TNG)

The Company has a 20% free-carried interest in the Cawse Extended Mining Lease. During the Quarter, the Company was advised of activity occurring on the lease by Mr Robert Gardner of Mesmeric.

The Company understands that Mesmeric has moved significant processing equipment onto the lease and there is potential for mining activity to resume in 2018. Further updates will be provided in due course.

Sale of Melville Island exploration licence application to Rio Tinto

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

A farm-in agreement was signed by both parties in October 2012, allowing RTX to earn 80% equity in the project with TNG retaining 20% equity, at which point TNG would elect to either contribute, sell or convert its equity to a 2% Net Smelter Royalty (NSR).

The licence has not progressed from the application phase and therefore equity has not at this stage been earned by RTX. TNG has now agreed to sell its interest in the project to RTX for \$80,000 plus a 2% Net Smelter Royalty (NSR).

ELA 28617 covers an area of 1,387km² in the north-western part of Melville Island and is prospective for bauxite and heavy minerals.

CORPORATE

TiO₂ World Summit

TNG's General Manager – Business Development, Paul Vollant and Titanium Business Manager, Mr Philippe Guillemaille, both attended the largest Western (focused on European and American players) TiO₂ conference in Alicante, Spain in October 2017, where Mr Guillemaille – an industry veteran with over 30 years' experience – gave a presentation on TNG and its ambition in the TiO₂ business. This was TNG's first presentation at a TiO₂-specific event and was very well received.

At the conference, it seemed clear that TNG's project is entering the market at a very opportune time when the industry is in a consolidation (high M&A activity) and margin expansion phase, preparing for a significant increase in demand over the next years, forecasted at +30% by 2025.

TNG is replicating the successful strategy it previously put in place for its vanadium product by carefully selecting its timing and audience to achieve the best impact and outcome for its commercial strategy.

In November 2017, TNG will attend the TZMI conference (focused on the APAC region) in Hong Kong and promote our project with the aim of progressing/finalizing its ongoing discussions with leading industry players.

ATO Class Ruling on in-specie distribution of TRT Shares

During the Quarter, the Australian Taxation Office (ATO) published its Class Ruling on the in-specie distribution of shares in Todd River Resources Limited (TRT) completed on 23 March 2017. TNG holds 10.77% of TRT.

The in-specie distribution was made on the basis of 1 TRT share for every 28.73 TNG shares held on 15 March 2017 (Record Date).

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

Adjustment to exercise price of options for in-specie distribution

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

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

- Listed 25,870,437 Exercisable at \$0.193 expiring on 15 June 2018
- Unlisted 1,500,000 Exercisable at \$0.193 expiring on 7 September 2019
- Unlisted 11,000,000 Exercisable at \$0.263 expiring on 13 December 2019

Cash

TNG had total cash reserves of \$5.1 million at Quarter-end.

Paul Burton
Managing Director

18 October 2017

Table 1. The Mount Peake Mineral Resource estimate

Mineral Resource

| Category | Tonnes (Mt) | V ₂ O ₅ % | TiO ₂ % | Fe% | Al ₂ O ₃ % | SiO ₂ % |
|--------------|-------------|---------------------------------|--------------------|-----------|----------------------------------|--------------------|
| Measured | 120 | 0.29 | 5.5 | 24 | 8.2 | 33 |
| Indicated | 20 | 0.28 | 5.3 | 22 | 9.1 | 34 |
| Inferred | 22 | 0.22 | 4.4 | 19 | 10.0 | 38 |
| TOTAL | 160 | 0.28 | 5.3 | 23 | 8.6 | 34 |

Note: Tonnage and grade figures in tables have been rounded to 2 or 3 significant figures and as a result small discrepancies may occur due to the effect of rounding. Estimate calculated at a 0.1% V₂O₅ cut-off.

Tenement Schedule

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

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

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 September 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (920) | (920) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (385) | (385) |
| (e) administration and corporate costs | (692) | (692) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 30 | 30 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (TRT oncharge as per administrative services agreement) | 230 | 230 |
| 1.9 Net cash from / (used in) operating activities | (1,737) | (1,737) |

| | | |
|--|-----|-----|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (1) | (1) |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 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) | - | - |
| 2.6 Net cash from / (used in) investing activities | (1) | (1) |

| | | |
|---|----------|----------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of shares | - | - |
| 3.2 Proceeds from issue of convertible notes | - | - |
| 3.3 Proceeds from exercise of share options | - | - |
| 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) | - | - |
| 3.10 Net cash from / (used in) financing activities | - | - |

| | | |
|---|--------------|--------------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 6,839 | 6,839 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (1,737) | (1,737) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (1) | (1) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 Effect of movement in exchange rates on cash held | - | - |
| 4.6 Cash and cash equivalents at end of period | 5,101 | 5,101 |

| 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 | 5,020 | 5,020 |
| 5.2 Call deposits | 81 | 81 |
| 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) | 5,101 | 5,101 |

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 |
|----------------------------|
| 202 |
| - |

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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 |
|----------------------------|
| - |
| - |

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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 | (378) |
| 9.5 Administration and corporate costs | (715) |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | (2,093) |

| 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 | | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

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: 17 October 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.