

TNG<sub>LIMITED</sub>

Annual Report **2009**



# TNG LIMITED

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ABN 12 000 817 023

## **DIRECTORS**

John W Barr (Chairman)  
Paul E Burton (Chief Executive Officer)  
Neil G Biddle (Non-Executive Director)  
Edward J Fry (Non-Executive Director)

## **COMPANY SECRETARIES**

John W Barr  
Simon L Robertson

## **REGISTERED OFFICE**

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## **SHARE REGISTRY**

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Telephone: (08) 9323 2000  
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## **AUDITORS**

KPMG  
235 St Georges Tce  
Perth WA 6000

## **HOME STOCK EXCHANGE**

Australian Securities Exchange (ASX)  
Code: TNG

## **INTERNATIONAL STOCK EXCHANGE**

Frankfurt Stock Exchange  
Code: HJI



TNG<sub>LIMITED</sub>

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## Review of Operations

### Overview

Despite the difficult and volatile global markets the Company continued to add significant value to its core exploration assets whilst maintaining a strong cash position.

#### Key Exploration highlights for the year included:

- Maiden inferred Vanadium resource of 107 mt @ 0.32%  $V_2O_5$ , plus positive metallurgical testwork and scoping study, at the company's 100% owned Mount Peake project.
- Exploration diamond drilling at the Browns prospect intersects Zinc and Lead mineralisation confirming the 3rd Mississippi Valley Type mineralisation to be located at the Company's 100% owned Manbarrum Project.
- The Company was awarded \$75,000 by the Northern Territory Government for drilling of the Stirling Deeps target.
- Cost cutting and sale of non-core assets helped maintain the company's strong cash position of \$4,769,811.
- Grant of exploration titles for Rover.
- Paul E Burton was appointed CEO of the company effective 1 September 2009.

The Company remains well placed to gain from any future increase in base metal and vanadium commodity prices while being able to focus on the exploration and development of all its exploration assets.

Most importantly, the year's achievements would not have been possible without the efforts of a highly dedicated consulting and technical staff group, and the Board thanks everyone involved with the Company for their efforts.

The Board endeavours to be accessible to all shareholders and stakeholders and encourages interested parties to contact the Company directly or via our website at:

**[www.tngltd.com.au](http://www.tngltd.com.au)**

## Projects

TNG's exploration strategy during the past year has been to add value to its key exploration projects in a cost effective manner while operating in challenging financial conditions. A total of \$1,520,675 was spent on exploration during the year. At the same time the company continued to maintain its interest in a number of other prospective tenements in both the Northern Territory and Western Australia, manage its Joint Venture interests and was active in assessing new project opportunities.

### MANBARRUM PROJECT: Zinc-Lead-Silver, Iron Ore (TNG 100%)

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.

The Manbarrum Project is located in the Northern Territory 82 kilometres north-east of the township of Kununurra. The current granted Manbarrum tenements comprise three Exploration Licences and two Authority to Prospect licences (under Section 178) covering a combined area of approximately 407 square kilometres.

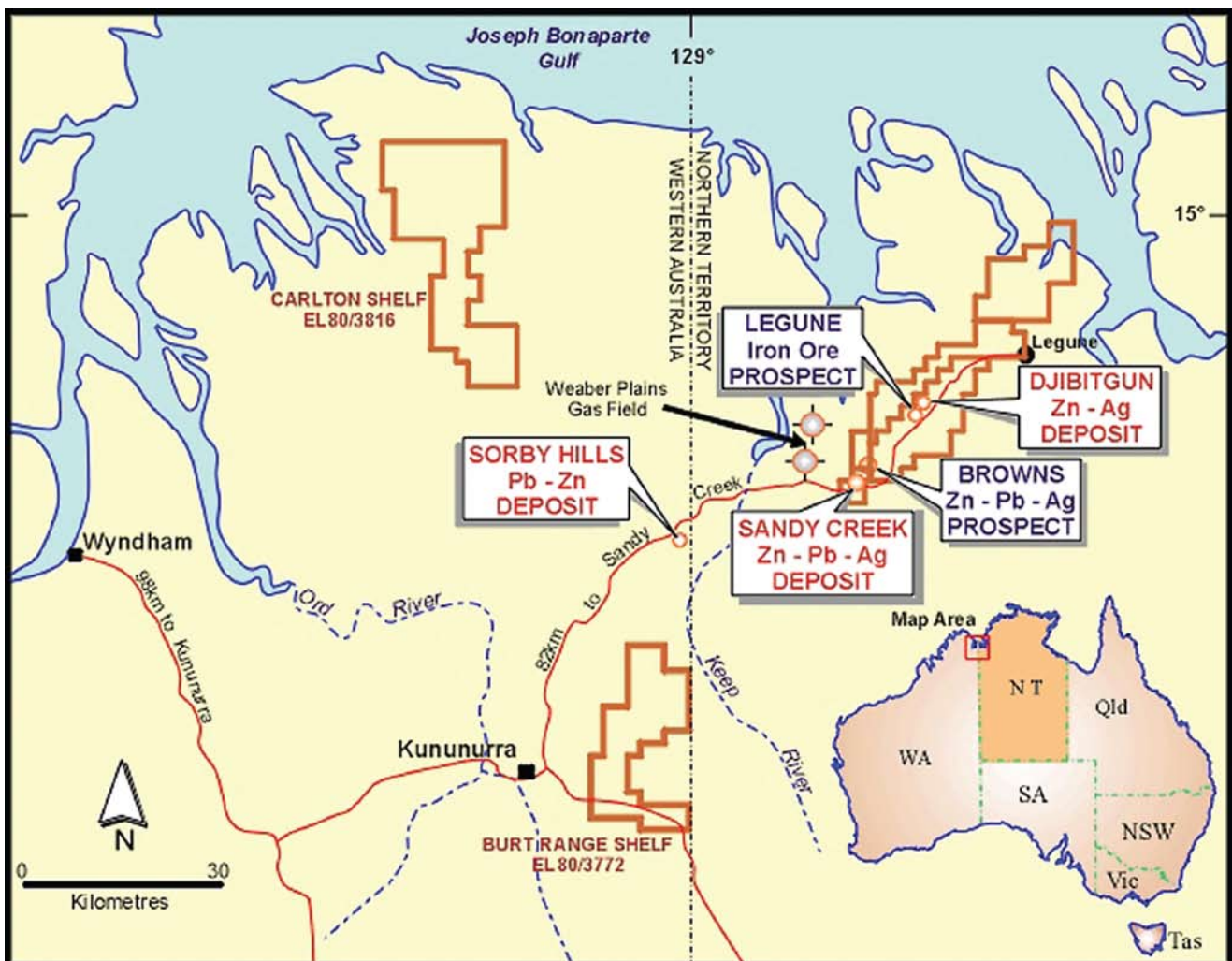


Fig. 1: Manbarrum Project Location

The tenements cover a 50 kilometre strike length of the prospective Bonaparte Shelf margin, where widespread Mississippi Valley Type (MVT) Zinc-Lead-Silver mineralisation occurs. TNG views the Bonaparte Basin as an emerging new base-metal district analogous to the large producing MVT type areas in the USA.

High grade haematite mineralisation has also been identified at the Legune Prospect and elsewhere within the tenements providing an additional resource potential.

During the year TNG was granted a further two Exploration Licences on the Western Australia side of the basin, Carlton Shelf and Burt Range Licence (Figure 1) which give an additional exploration area of 530 Km<sup>2</sup> and provide comprehensive tenement coverage of the most prospective areas identified on the Bonaparte Shelf Margin.

## GEOLOGY AND MINERALISATION

The margin of the Bonaparte Gulf Basin, contains Devonian-Carboniferous marine sediments unconformably overlain by faulted Proterozoic basement. Three Palaeozoic units are recognised in the area: Devonian Cockatoo Group, Lower Carboniferous Burt Range Formation and Milligans formation.

Milligans Formation black shales and siltstones locally cap the dolomitised Burt Range Formation carbonates and, in conjunction with north-south trending syn-depositional growth faults, provide a prospective setting for MVT base metal sulphide deposits to occur and be trapped at shallow depths. Derivative oxide deposits such as the high grade Legune haematite and Djibitgun Zinc-Silver resource provide additional resource targets.

## EXPLORATION MODEL

The Sandy Creek deposit is interpreted to be a strata-bound carbonate matrix replacement-type zinc-lead deposit, with similarities to several global MVT deposits (for example, the SE Missouri MVT district and the Tri State district, both in the USA). MVT-style mineralisation generally occurs in clusters with numerous mineralised bodies normally present and the same is anticipated within the Manbarrum licences.

TNG's exploration team has confirmed the potential for the Manbarrum Project area to host multiple pods of MVT sulphide base metal mineralisation with 3 MVT pods now recognised (Sandy Creek, Djibitgun and Browns). Approximately one third (35 Km) of the exploration tenements 52 Km strike length have been explored in detail and significant anomalies remain untested.

## SANDY CREEK DEPOSIT:

(JORC Indicated/Inferred, 15.97mt @ 2.3% Zn+Pb, 5.4g/t Ag)

The Sandy Creek resource comprises zinc (sphalerite) lead (galena), silver (Ag) type mineralisation commencing at shallow depths. It is almost exclusively a primary sulphide deposit, although some secondary zinc mineralisation occurs in the supergene zone. No lead sulphates (anglesite) or carbonates (cerrusite) have been observed.

The mineralisation predominantly occurs in veins, fractures and vugs hosted by a quartz-sandy carbonate unit, 100-120m thick. In places, the mineralisation appears to extend into the underlying silty carbonate unit. High-grade galena mineralisation has been intersected in two holes in the saprolitic clays immediately above the main host unit. This zone is also likely to contain zinc oxide mineralisation.

## Metallurgical test work

Completed in December 2008 by Perth metallurgical consultants, the results have provided positive indications that the Sandy Creek ore is amenable to good concentration in excess of 50% with recoveries of zinc and lead exceeding 80% by standard metallurgical processes.

TNG noted in the metallurgical test work results that the Head Grade assays were significantly higher than the drill assay results used for the resource calculations. Head grade assays were 4% Zn compared to the average RC assays of 2% Zn.

The company has invested considerable time in investigating this unusual occurrence during the year with the assistance of independent consultants. The matter is still being concluded but the company is of the view that at Sandy Creek the resource has been under-reported due to the loss of zinc oxide during the drilling and sampling process. This has resulted in biased diamond drill results reporting lower than the corresponding reverse circulation results, causing a global lowering of grade in the current resource calculation.

The results of this investigation may have a significant impact on the economic viability of Sandy Creek and the Company will publish the results of the assessment when completed.

### Further exploration work

The current Sandy Creek resource excludes the interpreted higher grade pipe or lode zones due to the variation between the RC and Diamond drill results noted above. This has been addressed with detailed investigations and the completion of a new large diameter diamond drill hole at Sandy Creek. Once the assay results are known the company will assess with its independent consultants the correct course of action to allow inclusion of this high grade zone in an updated resource estimate. This may include further drilling.

### DJIBITGUN DEPOSIT:

(JORC inferred 19.9 mt @ 16.4% Ag, 0.5% Zn, with internal zone of JORC inferred 6.7mt @ 1.8% Zn, 0.2% Pb, 14 g/t Ag)

Mineralisation at Djibitgun occurs predominantly in the oxidised supergene zone of the regolith profile and is most likely to occur as secondary minerals above a sulphide zone.

The Djibitgun Prospect was initially defined from significant historic drill results with Zn values up to 8%, confined within an area of interpreted structural offsets based on outcrop geology and gravity data. In addition, IP geophysics confirmed and extended an area with an IP conductor that corresponded with interpreted and mapped structural trends. The prospect area includes two sub-parallel, northerly trending IP zones approximately 2km apart.

### Metallurgical test work

Perth Metallurgical consultants completed an initial testwork study in November 2008. The preliminary results have provided encouragement that zinc and silver may be amenable to extraction from the oxide material by leach processes. Further test work is required to confirm this however the company has postponed any further metallurgical work on this deposit until further drilling has been completed.

### Further exploration work

The Djibitgun deposit was located by reconnaissance broad spaced drilling. Infill drilling to establish the extent of the internal higher grade Zn and Ag mineralised zone is planned to commence during the next drilling programme.

### BROWNS PROSPECT

The Browns prospect is defined by a large Induced Polarisation (IP) anomaly discovered during the 2007 exploration programme. Similar anomalies have been successful in delineating mineralisation at Sandy Creek and at Djibitgun and the technique remain one of the key exploration tools for the company.

The IP target at Browns is the largest discovered to date in the whole of the Manbarrum Project area, extending over 2km in strike length and 800m in width.

The prospect was not drilled during the 2007 exploration programme as the IP survey was only completed late in that year. In addition the anomaly is so large that it extended outside of TNG's license area and a new exploration licence was needed to secure the tenure prior to drill testing. This was successfully applied for and granted in August 2008.

### 2009 Exploration

In July 2009 TNG drilled 3 exploratory diamond holes into refined targets identified in the IP anomaly. The drilling was highly successful with all 3 holes intersecting significant widths of visible lead and zinc mineralisation. Assay results are awaited.

### LEGUNE HAEMATITE PROSPECT

A reconnaissance rock chip sampling program in 2008 resulted in the discovery of significant high-grade hematite iron mineralisation from an area known as the Legune Prospect, 2km south of the Djibitgun Zn/Ag base metal deposit. Further drilling is required to fully assess the resource potential of this deposit which will be scheduled during the next drilling program.

**MOUNT PEAKE PROJECT:**

Vanadium, Titanium, Iron, (TNG 100%)

The Mount Peake project comprises 2 EL's located 280 kilometres north east of Alice Springs(Figure 2).

In 2008 TNG announced the discovery of a new vanadium and titanium rich magnetite mineralisation at Mount Peake. The mineralisation occurs over a considerable thickness and has the potential to develop as a significant asset.

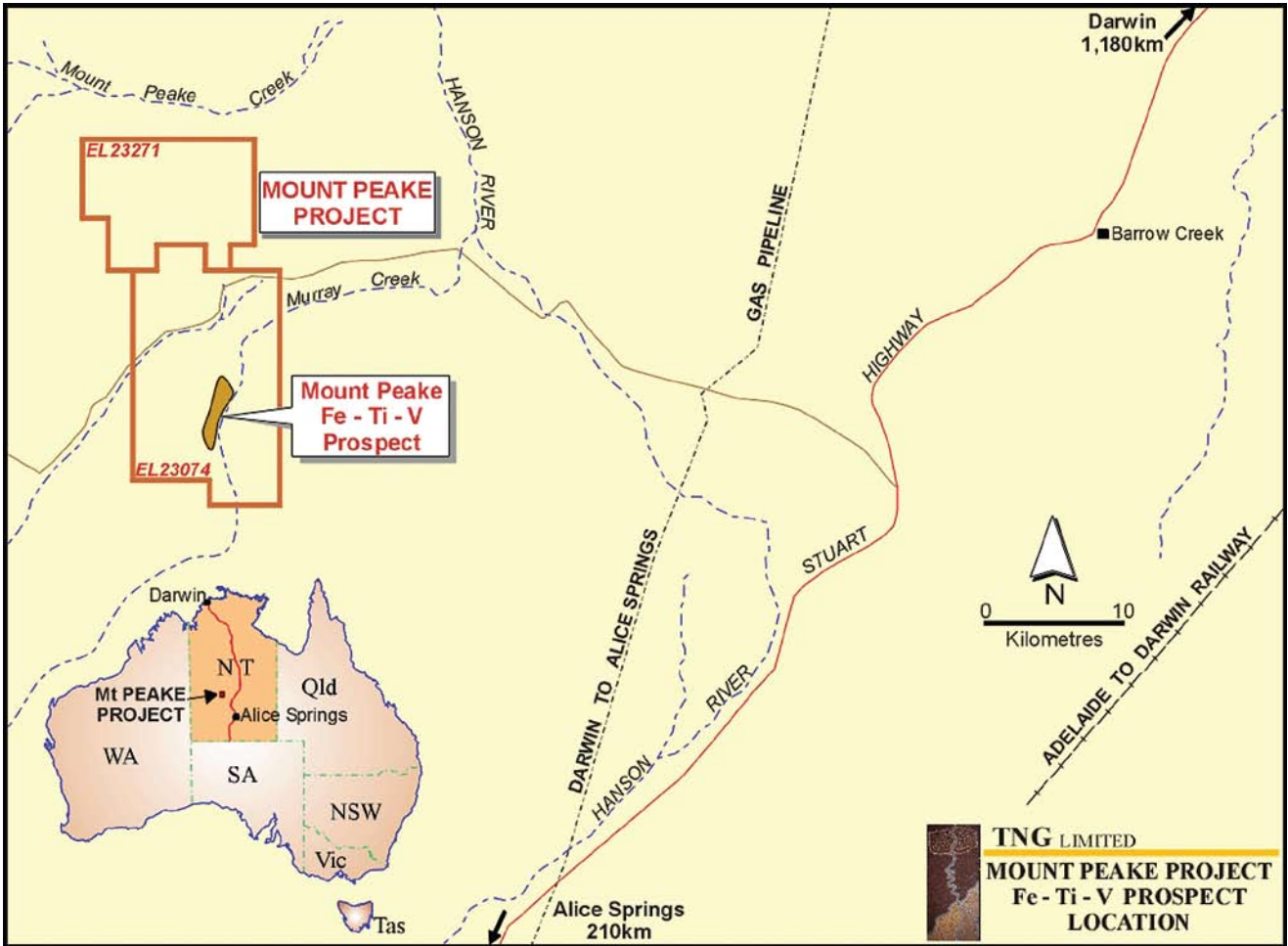


Fig. 2: Mount Peake Project Location

## GEOLOGY AND MINERALISATION

The Mount Peake project area lies within the north-western portion of the Palaeoproterozoic Arunta Province. In the tenement area, rocks of the Palaeoproterozoic Lower Hatches Group/Reynolds Range Group occur, comprising undifferentiated granite/granite gneiss and gabbro-dolerite. Mafic/ultramafic units have been recorded from previous drilling within and adjacent to the tenement, enhancing the prospectivity for Nickel-Sulphide mineralisation.

### 2009 Exploration

During the year TNG drilled six RC drillholes for a total of 928 m into the Mount Peake magnetite zone. XRF results confirmed that the vanadium rich magnetite mineralisation is continuous with over 100m intersections commencing at shallow depths of 30m to a depth of 111m.

Best results are:

**MPRC004 117m @ 0.44% V<sub>2</sub>O<sub>5</sub>, 7.90% TiO<sub>2</sub>, 24.9% Fe including 24m @ 0.56% V<sub>2</sub>O<sub>5</sub>, 10.04% TiO<sub>2</sub>, 32.75% Fe**

**MPRC003 115m @ 0.35% V<sub>2</sub>O<sub>5</sub>, 6.65% TiO<sub>2</sub>, 27.9% Fe including 54m @ 0.45% V<sub>2</sub>O<sub>5</sub>, 7.92% TiO<sub>2</sub>, 30.8% Fe**

**MPRC002 40m @ 0.35% V<sub>2</sub>O<sub>5</sub>, 6.01% TiO<sub>2</sub>, 24.05% Fe**

### Metallurgical Test Work

TNG commissioned consultants to design and manage the metallurgical testwork programme, who have in-depth experience with vanadium deposits, particularly with Australian projects, and are well suited to evaluate the Mount Peake mineralisation.

Results of initial metallurgical testwork demonstrated the amenability of the host rock, a magnetite olivine pyroxenite, to produce a high grade Vanadium concentrate over 1 % V<sub>2</sub>O<sub>5</sub> from a head grade of 0.3%.

Further test work successfully improved on the initial results by regrinding to 45 microns. This has also resulted in improving the V<sub>2</sub>O<sub>5</sub> concentrate grade to 1.3% and improved recovery of the Fe and TiO<sub>2</sub>. Importantly it also successfully reduced the SiO<sub>2</sub> and Al<sub>2</sub>O<sub>3</sub> components to acceptable commercial levels.

Further testwork is underway to study the amenability of the ore to alternative salt roasting and/or leach processes to further improve the vanadium recovery. This will be reported on completion.

### Initial Resource Estimate

A maiden JORC inferred resource of **107mt @ 0.32% V<sub>2</sub>O<sub>5</sub>, 5.9% TiO<sub>2</sub>, 25% Fe** was announced. The resource is based on the first round of RC drilling and on the magnetic signature of the Mount Peake target area.

The Mount Peake resource remains open along strike to the north and south and TNG is confident that the resource will be increased as more drilling over the large aeromagnetic anomaly is completed. The magnetic anomaly extends for some 9km and only 1.3km has been drilled to date.

### Initial Scoping Study

Consultants also undertook the optimisation work to assess project viability and assist in planning ongoing exploration activities. The initial study considered the viability of an open pit mining operation using a marginal cut-off of 0.22 % vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>), conservative V<sub>2</sub>O<sub>5</sub> price of US\$8/lb, and processing of 5mt per year, with an estimated capital cost of between \$400 – 500M.

The results demonstrated viable project economics given the parameters and assumptions of this initial study. A significant portion of the Mount Peake magnetic anomaly remains untested and offers the potential to increase the initial resource and further enhance the project's economics.

### Planned Exploration

Following these positive exploration, resource estimate and scoping study results the Company will proceed to further evaluate the size potential of the deposit and look for a Partner to jointly evaluate and develop the deposit.

### STIRLING DEEPS PROJECT

TNG submitted a proposal to the NT Government for funding a limited diamond drilling programme to provide information on the nature and extent of a potential layered Mafic Intrusion beneath the Mount Peake gabbro. Layered Mafic Intrusions are highly prospective for Nickel, Copper and Platinum mineralisation.

The existence of such an intrusion is supported by petrology and geochemistry of the gabbro hosting the magnetite mineralisation, showing primitive layering, increasing S and Cr contents with depth, and primary sulphide blebs of chalcopyrite, pentlandite and bornite.

The application was successful with the NT Government granting an award of \$75,000 towards direct drilling costs. Two deep diamond drill holes of 500m each are proposed to confirm the existence of the intrusion and to test the theory. Results of this drilling will enable assessment of the potential for the existence of sulphides deeper in the system.

### NORTHERN TERRITORY JOINT VENTURE PROJECTS

(TNG 100%, WDR earning 51%)

TNG holds several projects in the Northern Territory which are at various stages of exploration and are the subject of a Heads of Agreement with Western Desert Resources Ltd (WDR) and or its subsidiaries. WDR can earn up to 80% interest in each Project area, subject to meeting specific exploration expenditure levels.

The main target is Tennant Creek style Copper Gold mineralisation. WDR is progressing preparations for exploration at Rover on EL 25581. This licence is adjacent to Westgold Resources Ltd, Rover 1 project where they have recently reported significant intersections of Au and Cu.

Negotiations with the Traditional Owners have been completed and the licence was granted. WDR are now completing access arrangement for exploration of high-priority targets within the tenement.

TNG holds an interest in other tenement groups, however, in each case, the Company does not contribute towards exploration expenditure as the projects are subject to joint venture or options for sale. These projects include the McTavish project (McTavish Joint Venture: TNG 30%, Barmingo 70%) and Kintore East Joint Venture (Kintore East Joint Venture: TNG 23.95%, Mines and Resources Australia Ltd 76.05%).

### CAWSE EXTENDED JV:

(80% Norilsk Nickel/20% TNG)

Norilsk Nickel Cawse Ltd. (Norilsk) owns and manages the Cawse Nickel-Cobalt Operation near Kalgoorlie in Western Australia, with Norilsk and TNG jointly owning the adjacent Cawse Extended Project. TNG's interest is 20%, free-carried to production, convertible at TNG's election to a 2% net smelter return.

Norilsk Nickel Australia has advised it has placed the Cawse laterite nickel operation on indefinite care and maintenance which will delay commencement of mining operations at the Cawse Extended Project.

## Traditional owner policy

TNG recognises the traditional attachment and customary requirements and preservation of culture and customs by Indigenous people in relation to land.

It is our desire to develop long term relationships with Indigenous people and communities where we conduct exploration and mine development and operations.

We will do this by:

1. **Working closely** with Indigenous people and communities on developing appropriate communication protocols
2. **Establishing** structured processes for consultation and negotiation and ongoing relationships
3. **Respecting** Indigenous people's values and beliefs
4. **Ensuring** culture awareness programs within our company are undertaken and maintained
5. **Supporting** programs that strengthen and promote the interests of Indigenous people
6. **Increasing** involvement of local Indigenous people in the success of our business and
7. **Identifying** and acting upon opportunities for training and employment for local Indigenous people.

## Corporate activities

### Davis Samuel

TNG is a party to proceedings instituted by the Commonwealth of Australia (Commonwealth) in the Supreme Court of the Australian Capital Territory in which the Commonwealth claims that it is entitled to a constructive trust over shares held by TNG in Kanowna Lights NL (now Peninsula Minerals Limited). The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the highest market value at which the shares could have been sold; and interest on that market value.

The Commonwealth claims that it is entitled to an amount of \$2,146,687.29 representing a claim of \$1,274,400 for the value of the Kanowna Lights NL shares and interest thereon since early 2000.

TNG is vigorously defending the Commonwealth claims. It is not possible to predict the likely outcome of the matter or the timing of an outcome. TNG has issued cross-claims against several parties in the proceedings.

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.

The hearing of the court proceedings commenced and concluded in 2008. A decision is expected in 2009.

### **Other Assets**

During the year TNG sold its logistical base situated in Kununurra.

### **Capital management**

In July 2008 TNG completed a pro rata rights issue and share placement which raised a total of \$3,830,289.

### **Presentations**

During the year the company presented at international and national conferences. This has resulted in several sets of enquiries from parties. At the present time no conclusive negotiations have been completed.

### **Shareholder meetings**

An EGM was held in August 2008 and the AGM was held in November 2008. Shareholders are urged to participate in the planned 2009 AGM by attending personally or lodging a proxy.

## Corporate Governance Statement

The Board of Directors of TNG Ltd (the “Company”) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations (“ASX Guidelines”), the Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be appropriate. Where, after due consideration, the Company’s corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The table on the next page summarises the Company’s compliance with the Corporate Governance Council’s Recommendations.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 12
1.2	Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Page 16
2.1	A majority of the Board should be independent directors.	No	Page 17
2.2	The chairperson should be an independent director.	No	Page 17
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 12
2.4	The Board should establish a nomination committee.	No	Page 17
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 17
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the Company's integrity;</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Page 14
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Yes	Page 14
4.1	The Board should establish an audit committee.	Yes	Page 12
4.2	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> <li>only non-executive directors;</li> <li>a majority of independent directors;</li> <li>an independent chairperson, who is not chairperson of the Board;</li> <li>at least three members.</li> </ul>	No	Page 17
4.3	The audit committee should have a formal charter.	Yes	Website
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
6.1	Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 15
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 15
7.3	Disclose whether the Board has received assurance from the CEO and CFO that the declaration provided in accordance with CA section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 15
8.1	The Board should establish a remuneration committee.	No	Page 15
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 17

The Company's corporate governance practices were in place throughout the year ended 30 June 2009.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.tngltd.com.au](http://www.tngltd.com.au). In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

## BOARD OF DIRECTORS

### Role of the Board and Management

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day to day management of the Company. At the date of this report, the Chief Executive Officer has taken on the responsibilities of the Managing Director until a Managing Director is appointed.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

### Composition of the Board and new appointments

The Company currently has the following Board members:

Mr John W Barr	Chairman
Mr Neil Biddle	Non-Executive Director
Mr Edward Fry	Non-Executive Director
Mr Paul Burton	CEO and Exploration Director

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board composition comprises all non-independent directors. Although there are no independent directors, the Board believes that all the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company and possess the skills and experience suitable for building the Company. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's history and the size and scale of operations. As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed and the optimum number of Directors required for the Board to properly perform its responsibilities and functions assigned.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

## Committees of the Board

To assist the Board in carrying out its responsibilities, the Board has established the following committees:

- Audit Committee

The Audit Committee operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Full Board were members of the Audit Committee.

## Qualifications of audit committee members

For details of the qualifications of the audit committee members, the number of Audit Committee meetings held during the year and the attendees at those meetings, refer to the Directors' Report.

## Conflicts of Interest

In accordance with the *Corporations Act 2001* and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned is not present at the meeting whilst the item is considered.

## Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

## Ethical standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

## Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A Director must act honestly, in good faith and in the best interests of the Company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A Director must not make improper use of information acquired as a director.
- A Director must not take improper advantage of the position of director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.
- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

### Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

### Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors, Officers, Employees and Consultants of the Company.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

### Interests of Other Stakeholders

The Company's objective is to develop and commercialise its exploration tenements to create wealth for shareholders and add value for other stakeholders.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as outlined above.

## DISCLOSURE OF INFORMATION

### Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Chairman, Managing Director or the Company Secretary, of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- (i) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and

- (ii) The information is confidential; and
- (iii) One of the following applies:
  - (a) It would breach a law or regulation to disclose the information;
  - (b) The information concerns an incomplete proposal or negotiation;
  - (c) The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - (d) The information is generated for internal management purposes;
  - (e) The information is a trade secret;
  - (f) It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
  - (g) The information is data that the release of which may benefit the Company's potential competitors.

The Chairman and Managing Director are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

### Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

## RISK MANAGEMENT

### Identification of risk

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Chief Financial Officer (or equivalent) having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Key Risk Analysis presented to the Board each year.

Arrangements put in place by the Board to monitor risk management include:

- regular reporting to the Board in respect of operations and the financial position of the Company; and
- reports to the Board by the Chairman of each committee at the next Board meeting following the Committee meeting.

### Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entity for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

### Role of auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### Remuneration arrangements

The Board has not established a Remuneration Committee responsible for making recommendations to the Board on remuneration arrangements for Directors and executives of the Company.

All of the Directors receive a separate Directors' fee of \$40,000 per annum, plus statutory superannuation.

In addition:

- Kensington Consulting Pty Ltd of which Mr John W Barr is a Director, receives a consulting fee for Mr Barr's services under a service agreement approved at the 2007 Annual General Meeting;
- Hatched Creek Pty Ltd of which Mr Neil G Biddle is a Director, receives consulting fees for Mr Biddle's services under a service agreement approved at the 2007 Annual General Meeting; and
- Hardy Bowen, of which Mr Michael P Bowen is a partner, receives legal fees for services provided; and (Resigned 11 November 2008)
- Gimbulki Services of which Mr Edward J Fry is the sole proprietor, receives consulting fees for Mr Fry's services.
- Mr Paul E Burton is also a direct employee of the company on a standard employment contract.

The service agreement for Kensington Consulting Pty Ltd and Hatched Creek Pty Ltd have been approved by shareholders and contain a termination clause of a maximum of 12 months (\$300,000).

There is no direct link between remuneration paid to any of the Directors and corporate performance such as bonus payments for achievements of key performance indicators.

Remuneration of Directors and key executives is competitively set with the assistance of externally prepared surveys and reports, taking into account the experience and qualifications of each individual.

The aggregate amount payable to the Company's Non-Executive Directors for undertaking their duties as Directors must not exceed the maximum annual amount approved by the Company's shareholders (currently \$300,000).

For a full discussion of the Company's remuneration philosophy and framework, and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

## **Performance Review**

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committee during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Company's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual.

## **Compliance with ASX Corporate Governance Recommendations**

During the Company's 2008/2009 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified on the next page.

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
2	2.1	The Board does not comprise a majority of independent Directors.	Whilst the members of the Board are not independent, the Board believes that all the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company and possess the skills and experience suitable for building the Company. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2	2.2	The Chairman is not an independent director.	Mr John W Barr is the Chairman and is not considered to be independent in respect of the ASX Corporate Governance Council's definition of independence. The Board considers that the expertise and dedication of Mr John W Barr gives constructiveness and organisation to the Board and its functions.
2	2.4	The Board has not established a separate Nomination Committee.	The full Board carries out the role of a Nomination Committee in accordance with its Charter (which is disclosed on the Company's website). The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
4	4.2	The Audit Committee does not comprise a majority of Independent Directors.	The role of the Audit Committee is carried out by the full Board Only one member is an Independent Director. The Board considers that given the financial expertise of the members of the Audit Committee, the Company is well serviced by their expertise.
8	8.1	The Board has not established a separate Remuneration Committee.	The full Board carries out the role of a Remuneration Committee in accordance with its Charter (which is disclosed on the Company's website). Due to the relatively small size of the Board, the Board considers that a separate Remuneration Committee would not add efficiency to the process of determining the level of remuneration for the directors and key executives. When considering matters of remuneration, the Board functions in accordance with the Remuneration Committee Charter which requires that shareholders approve the maximum aggregate remuneration for Non-Executive Directors (after the Board recommends the actual payments to directors) and that Executive remuneration and other terms of employment are reviewed annually by the remuneration committee having regard to performance, relevant comparative information and expert advice.

## Directors' Report

The Directors present their report together with the financial report of TNG Limited (the company) and of the Group, being the company and subsidiaries, and the Groups interest in a jointly controlled entity for the financial year ended 30 June 2009 and the auditors report thereon.

### Directors

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

**John W Barr, CA, FAICD**

*Chairman and Company Secretary*

Mr John W Barr was appointed in 1998. He has extensive Australian and international experience with exposure to manufacturing, mining and mineral exploration and development.

Mr Barr has managed his own consultancy business since 1987 which specialises in the management of public companies including advice on capital raisings, mergers and acquisitions, negotiating onshore and offshore acquisitions and joint ventures, negotiating commodity based funding, and compliance with corporate and stock exchange requirements.

During the last four years Mr Barr has served as a director of the following listed companies:

- Batavia Mining Limited (2003 to 2005, April 2008 to current); and
- Thor Mining PLC (2005 to 2008).

**Mr Paul Burton, B.Sc (Hons) Geology (UK), M.Sc Mineral Exploration (Canada), M.Aus.IMM, FAEG, MAICD**

*Chief Executive Officer*

Mr Paul Burton is an Exploration Geologist/Geochemist with over 20 years experience in Exploration and Mining.

Mr Burton is experienced in running successful exploration programs for a variety of commodities. He has held consulting and senior management roles with major exploration companies.

Mr Burton has held no other directorships.

Mr Burton was appointed as an Executive Director in August 2008 and CEO on 1 September 2009.

**Neil G Biddle, B.App.Sc(Geology), M.Aus.IMM**

*Non-Executive Director*

Mr Neil G Biddle was appointed in 1998. He has over 20 years professional and management experience in listed public companies involved in mining and exploration. He resigned as Managing Director of TNG during 2009.

During the last four years Mr Biddle has served as a director of Batavia Mining Limited and he was appointed to the board of West Australian Metals Limited in December 2008.

**Edward J Fry**

*Non-Executive Director*

Mr Edward J Fry was appointed in 2006. Mr Fry is the proprietor of a Land Access/Management consulting company primarily focusing on Native Title and Exploration and Mine Development Agreements. His past experience includes various positions in the Australian Resources sector including Corporate Officer – Native Title and Investor Relations analyst for Normandy Mining Ltd, Senior Officer for Aboriginal & Torres Strait Islander Commission and Aboriginal Development Commission.

Mr Fry has held no other directorships.

**Michael P Bowen, B.Juris, LLB, B.Com**

*Non-Executive Director*

Mr Michael P Bowen resigned from the board on 11 November 2008.

**Terence N Smith, Dip.Bus, Grad.Cert.Bus**

*Non-Executive Director*

Mr Terence N Smith resigned from the board on 11 November 2008.

## DIRECTORS MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of board meetings held during the time the Director held office	Number of board meetings attended	Number of audit meetings held during the time the Director held office	Number of audit meetings attended
John W Barr	9	9	2	2
Paul E Burton	8	7	1	1
Neil G Biddle	9	7	2	0
Michael P Bowen	4	4	1	1
Edward J Fry	9	8	2	2
Terence N Smith	4	4	1	1

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the exploration of its Manbarrum Project and Mount Peake projects; the review of projects for potential acquisition; the management of its other exploration properties and management of its interest in the Cawse Extended Project.

There were no other significant changes in the nature of the activities of the Group during the year.

## REVIEW AND RESULTS OF OPERATIONS

The operating loss of the Group after income tax for the year was \$10,028,995 (2008:loss \$2,421,829).

A review of the operations during the financial year is set out on pages 2 to 9.

## DIVIDENDS

No dividends were paid during the year and the Directors do not recommend payment of a dividend.

## REMUNERATION REPORT - AUDITED

### 1. Principles of Remuneration - Audited

This report details the amount and nature of remuneration of each director of the Company and the executives receiving the highest remuneration.

Key management personnel have authority and responsibility for planning and controlling the activities of the Company and the Group, including Directors of the Company and other Executives. Key management personnel comprise of the S300A directors of the Company and the Group including the five most highly remunerated Company and the Group executives.

#### *Remuneration Policy – audited*

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director and executive objectives with shareholder and business objectives.

The remuneration policy, setting the terms and conditions for the executive Directors and other executives has been developed by the Board after seeking professional advice and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Executive and Non Executive Directors receive a Directors fee of \$40,000 per annum. Shareholders have approved Directors fees of an amount of up to \$300,000 cash in aggregate per annum. Superannuation contributions of 9% are paid on these fees as required by law.

Directors and executives may also receive either a salary (plus superannuation guarantee contributions as required by law, currently set at 9%), or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits except as stated. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors and executives is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Directors at market rates for comparable companies for time, commitment and responsibilities. The Full Board performing the role of the Remuneration Committee which determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors fees is subject to approval by shareholders at a General Meeting. Fees for non-executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may receive options if approved by shareholders.

There is no policy currently in place for the KMP to limit their exposure to risk in relation to the shares held and share options granted as part of their remuneration.

#### *Service Contracts*

#### **John W Barr - Chairman and Company Secretary**

- Term of Agreement – 1998 until terminated by either party
- Directors fees - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are paid to Kensington Consulting Pty Ltd for consulting services as approved by shareholders. As consideration for making available the services, the company shall pay the contractor a daily rate up to a total maximum of up to \$20,000 per month.

#### **Paul E Burton - Chief Executive Officer**

- Term of Agreement – 1 September 2009 until terminated by either party
- Directors fees - \$40,000 per annum excluding super plus any expense incurred
- Salary - \$220,000 per annum excluding super plus any expense incurred
- Early Termination – 6 months written notice or making a payment of 6 months salary in lieu. This applies to any reason other than gross misconduct.

**Neil G Biddle - Non-Executive Director**

- Term of Agreement – 1998 until terminated by either party
- Directors fees - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are paid to Hatched Creek Pty Ltd for consulting services as approved by shareholders. As consideration for making available the services, the company shall pay the contractor a daily rate up to a total maximum of up to \$20,000 per month.

**Edward J Fry - Non-Executive Director**

- Term of Agreement – 2006 until terminated by either party
- Directors fees - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are paid to Gimbulki Services Pty Ltd for consulting services based on a daily rate.

**Michael P Bowen - Non-Executive Director**

- Term of Agreement – 2004 until 11 November 2008.
- Directors fees - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are paid to Hardy Bowen of which Mr Bowen is a Partner.

**Terence N Smith - Non-Executive Director**

- Term of Agreement – 2004 until 11 November 2008.
- Directors fees - \$40,000 per annum excluding super plus any expense incurred.

**Scott L Rauschenberger – Financial Controller**

- Term of Agreement – 19 November 2007 until terminated by either party
- Salary - \$132,500 per annum excluding super plus any expense incurred
- Early Termination – 1 month written notice or making a payment of 1 months salary in lieu. This applies to any reason other than gross misconduct.

## 2. Directors and Executives officers remuneration (Company and Consolidated) – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and relevant Group executives who receive the highest remuneration and other key management personnel are:

*Directors remuneration for the year ended 30 June 2009*

Company and Consolidated		Short term		Post employment	Long term	Total	Value of options as a proportion of remuneration
		Salary & fees	Other	Super	Share-based payment options		
Directors		\$	\$	\$	\$	\$	%
John W Barr Chairman	2009	160,702	-	3,600	-	164,302	-
	2008	166,000	-	3,600	-	169,600	-
Paul Burton Chief Executive Officer	2009	215,591	-	19,403	-	234,994	-
	2008	178,615	-	18,069	144,500	341,184	42%
Neil G Biddle Non-Executive	2009	161,636	-	3,600	-	165,236	-
	2008	228,664	-	3,600	-	232,264	-
Michael P Bowen <sup>1</sup> Non-Executive	2009	14,565	-	-	-	14,565	-
	2008	40,000	-	-	-	40,000	-
Edward Fry Non-Executive	2009	140,622	-	3,600	-	144,222	-
	2008	160,000	-	3,600	289,036	452,636	64%
Terence N Smith <sup>1</sup> Non-Executive	2009	14,555	-	1,310	-	15,865	-
	2008	40,000	-	3,600	-	43,600	-
Total	2009	707,671	-	31,513	-	739,184	
	2008	813,279	-	32,469	433,536	1,279,284	

<sup>1</sup> Resigned as director 11 November 2008

## Remuneration of executive who received the highest remuneration for the year ended 30 June 2009

Company and Consolidated		Short term		Post employment	Long term	Total	Value of options as a proportion of remuneration
		Salary & fees	Other	Super	Share-based payment options		
Executives		\$	\$	\$	\$	\$	%
Scott Rauschenberger <sup>1</sup> Financial Controller	2009	79,084	-	7,118	-	86,202	-
	2008	28,579	-	2,631	-	31,210	-
Damian P Delaney <sup>1</sup> CFO and Company Secretary	2009	-	-	-	-	-	-
	2008	102,548	-	21,416	144,500	268,464	53%
<b>Total</b>	2009	79,084	-	7,118	-	86,202	
	2008	131,127	-	24,047	144,500	299,674	

<sup>1</sup> Scott Rauschenberger is remunerated by TNG Ltd at a current annual salary of \$132,500 and recharged on a pro rata basis.

The fair value of the options are calculated at the date of grant using the Black-Scholes model and are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is a portion of the fair value of the options allocated to this reporting period. The terms 'director' and 'executive' have been treated as mutually exclusive for the purposes of this disclosure.

The following factors and assumptions were used in determining the fair value of options on grant date.

Grant date	Expiry date	Fair value per option	Exercise price	Underlying spot price	Expected volatility	Risk free interest rate	Dividend yield
19 June 2007	31 Mar 2010	\$0.394	\$0.50	\$0.650	80.00%	6.48%	Nil
5 Apr 2007	31 Dec 2011	\$0.289	\$0.38	\$0.420	80.00%	6.09%	Nil
13 Nov 2007	31 Mar 2010	\$0.190	\$0.49	\$0.400	80.00%	6.71%	Nil

TNG limited is involved in mineral exploration and Company performance is in part measured by exploration success, the share based payment compensation of the persons in the remuneration report is not dependent on the satisfaction of individual performance condition.

### 3. Options granted as part of remuneration – audited

During or since the end of the financial year the company did not grant any options to Directors or executives.

### 4. Exercise of options granted as compensation – audited

During the year no shares were issued on the exercise of options previously granted as remuneration.

### 5. Analysis of options and rights over equity instruments granted as compensation – audited.

No options granted as remuneration to key management personal in previous years vested or were forfeited during the current financial year.

### 6. Analysis of movements in options - audited

There was no movement during the reporting period of options over ordinary shares held by key management persons of the group.

## DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Group and other related body corporates, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary shares	Options over ordinary shares
John W Barr	9,730,000	3,000,000
Paul E Burton	750,000	1,500,000
Neil G Biddle	7,033,340	3,000,000
Edward J Fry	2,297,892	1,500,000

## Options Granted to Directors and Officers of the Company

During or since the end of the financial year the company did not grant any options to Directors or executives.

### *Unissued shares under option*

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price <sup>1</sup>	Number of options
31 December 2011	\$0.32	1,800,000
31 March 2010	\$0.49	14,000,000
1 November 2009	\$0.75	200,000
31 August 2011	\$0.15	500,000

## **ETHICAL STANDARDS**

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

### **Code of Conduct**

This code of conduct sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

### **Commitment of the Board and Management to Corporate Code of Conduct**

The Board and management approve and endorse this code of conduct and support the code and all it strives to achieve.

The Board and management encourage all staff to consider the principles of the code and use them as a guide to determining how to respond when acting on behalf of the Company.

### **Responsibilities to Shareholders and the Financial Community Generally**

The Company aims:

To increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community; and

To comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

### **Responsibilities to Clients, Customers and Consumers**

The Company is to comply with all legislative and common law requirements which affect its business, in particular those in respect of occupational health and safety, the environment, native title and cultural heritage. Any transgression from the applicable legal rules is to be reported to the managing director as soon as a person becomes aware of such a transgression.

## **Employment Practices**

The Company will employ the best available staff and consultants with skills required to carry out vacant positions.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

### **Responsibility to the Community**

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

### **Responsibility to the Individual**

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

### **Obligations Relative to Fair Trading and Dealing**

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

### **Conflicts of Interest**

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairman in the case of a Board member or the CEO, the CEO in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

### **Compliance with the Code**

Any breach of compliance with this code is to be reported directly to the Managing Director or Chairperson, as appropriate.

### Periodic review of Code

The Company will monitor compliance with the code periodically by liaising with the Board, management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time by providing a written note to the Managing Director.

### Incorporation of Code of Conduct for executives

The Code of Conduct for executives forms part of this Corporate Code of Conduct. It provides as follows:

All executives will:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company.
2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company.
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated.
4. Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates.
5. Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.
6. Report any breach of this code of conduct to the chairperson, who will treat reports made in good faith of such violations with respect and in confidence.

### Indigenous Policy

TNG recognises the traditional attachment and customary requirements and preservation of culture and customs by Indigenous people in relation to land.

It is our desire to develop long term relationships with Indigenous people and communities where we conduct exploration and mine development and operations.

The Manbarrum project is situated on land which the Mirriwung-Gaejerrong people are the traditional owners. TNG meets formally bi-annually with the community and also meets regularly with senior members of the community to review the community objectives.

In addition several members of the community are either full time or casual employees. There is also open dialogue with the NLC and ARPA in respect to the company's activities.

The Company's Indigenous Policy can be found on our website [www.tngltd.com.au](http://www.tngltd.com.au).

### LIKELY DEVELOPMENTS

The Group will continue to develop its Northern Territory exploration projects and manage its interest in the Cawse Extended project.

Additional comments on likely developments of the Group are included under the review of operations and activities of this report.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify current and former Directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for a pecuniary penalty under section 1317G or a compensation order under section 1317H of the Corporations Act 2001.

### INSURANCE PREMIUMS

The Directors have not included details of the amount of the premium paid in respect of the Directors' and Officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

**ENVIRONMENTAL REGULATIONS**

The consolidated entity holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulation with respect to the rehabilitation of areas disturbed during the course of its exploration activities. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

**EVENTS SUBSEQUENT TO REPORTING DATE****Change of Directorship**

Paul E Burton was appointed CEO on 1 September 2009.


**NON AUDIT SERVICES**

KPMG, the Company's auditor did not perform any other services in addition to their statutory duties.

**AUDITOR INDEPENDENCE DELCARATION**

The auditor's independence declaration is included on page 28 of the financial report and forms part of the Directors' Report for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors.



**John W Barr**

Chairman

18 September 2009

## Lead auditor's independence declaration under Section 307C of the Corporations Act 2001



***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 audit for the financial year ended 30 June 2009 there have been:

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

A handwritten signature in blue ink, appearing to read 'Denise McComish'.

KPMG

A handwritten signature in blue ink, appearing to read 'Denise McComish'.

Denise McComish  
*Partner*

Perth

18 September 2009

# Income Statements

For the year ended 30 June 2009

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Gain on sale of tenements		-	941,481	-	-
Other income	6(a)	440,099	-	354,264	-
<b>Total income</b>		440,099	941,481	354,264	-
Corporate and administration expenses	6(c)	(1,522,686)	(1,451,930)	(1,429,575)	(1,279,074)
Employment expenses	6(d)	(397,952)	(1,876,709)	(365,713)	(1,830,094)
Depreciation and amortisation expenses	6(e)	(207,791)	(308,145)	(107,916)	(134,860)
Impairment loss on subsidiary loan receivable	12	-	-	(7,546,355)	(57,160)
Impairment of subsidiary investment	13	-	-	(1,256,323)	-
Impairment loss of tenements	15	(8,566,547)	-	-	-
Other expenses		-	(18,436)	-	-
<b>Results from operating activities</b>		(10,254,877)	(2,713,739)	(10,351,618)	(3,301,188)
Financial income		326,305	468,711	326,305	468,711
Financial expenses		(100,423)	(176,801)	(68,234)	(140,764)
<b>Net financing income</b>	6(b)	225,882	291,910	258,071	327,947
<b>Loss before income tax</b>		(10,028,995)	(2,421,829)	(10,093,547)	(2,973,241)
Income tax expense	8	-	-	-	-
<b>Net Loss for the year</b>		(10,028,995)	(2,421,829)	(10,093,547)	(2,973,241)
Basic loss per share (cents)	9	(4.043)	(1.283)		
Diluted loss per share (cents)	9	(4.043)	(1.283)		

The income statements are to be read in conjunction with the notes to the financial statements.

## Balance Sheets

As at 30 June 2009

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current assets</b>					
Cash and cash equivalents	11	4,769,811	4,127,494	4,428,512	4,094,334
Other receivables	12	92,342	82,397	48,737	52,648
Prepayments		37,605	47,768	35,750	45,942
Other investments	13	25,568	6,493	25,568	6,493
<b>Total current assets</b>		<b>4,925,326</b>	<b>4,264,152</b>	<b>4,538,567</b>	<b>4,199,417</b>
<b>Non-current assets</b>					
Other receivables	12	-	-	7,497,207	13,135,596
Other investments	13	485,454	208,834	885,454	1,865,157
Plant and equipment	14	162,872	1,147,995	126,920	212,042
Exploration and evaluation expenditure	15	9,940,111	16,985,982	-	-
<b>Total non-current assets</b>		<b>10,588,437</b>	<b>18,342,811</b>	<b>8,509,581</b>	<b>15,212,795</b>
<b>Total assets</b>		<b>15,513,763</b>	<b>22,606,963</b>	<b>13,048,148</b>	<b>19,412,212</b>
<b>Current liabilities</b>					
Trade and other payables	16	256,238	762,759	206,227	399,060
Provisions	18	40,233	26,493	40,233	26,493
<b>Total current liabilities</b>		<b>296,471</b>	<b>789,252</b>	<b>246,460</b>	<b>425,553</b>
<b>Non-current liabilities</b>					
Loans and borrowings	17	-	480,000	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>480,000</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>296,471</b>	<b>1,269,252</b>	<b>246,460</b>	<b>425,553</b>
<b>Net assets</b>		<b>15,217,292</b>	<b>21,337,710</b>	<b>12,801,688</b>	<b>18,986,658</b>
<b>Equity</b>					
Issued capital	19	24,308,487	20,478,198	24,308,487	20,478,198
Reserves		164,435	(11,823)	164,435	(11,823)
Retained earnings		(9,255,630)	871,335	(11,671,234)	(1,479,717)
<b>Total equity</b>		<b>15,217,292</b>	<b>21,337,710</b>	<b>12,801,688</b>	<b>18,986,658</b>

The balance sheets are to be read in conjunction with the notes to the financial statements.

# Statements of Cash Flows

For the year ended 30 June 2009

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Cash payments in the course of operations		(2,462,923)	(2,523,301)	(2,009,996)	(2,037,253)
Interest received		256,789	379,732	256,789	379,732
Receipt of R&D rebate		354,264	-	354,264	-
<b>Net cash used in operating activities</b>	24	(1,851,870)	(2,143,569)	(1,398,943)	(1,657,521)
<b>Cash flows from investing activities</b>					
Proceeds from sale of land and buildings		806,380	-	-	-
Proceeds from sale of property plant and equipment		96,975	-	-	103,950
Proceeds from sale of investments		7,852	103,950	7,852	-
Net loan to controlled entities		-	-	(1,907,967)	(9,090,567)
Payments for plant and equipment		(27,925)	(37,770)	(22,795)	(19,823)
Payments for investments		(174,258)	-	(174,258)	-
Payments for exploration and evaluation expenditure		(1,520,675)	(8,624,674)	-	-
<b>Net cash used in investing activities</b>		(811,651)	(8,558,494)	(2,097,198)	(9,006,440)
<b>Cash flows from financing activities</b>					
Net proceeds on issue of shares and options		3,830,289	4,987,559	3,830,289	4,987,559
Repayment of loan		(492,264)	-	-	-
Lease payments		(32,187)	(38,639)	-	(2,603)
<b>Net cash received from financing activities</b>		3,305,838	4,948,920	3,830,289	4,984,956
<b>Net increase in cash held</b>		642,317	(5,753,143)	334,178	(5,679,005)
Cash at the beginning of the financial year		4,127,494	9,880,637	4,094,334	9,773,339
<b>Cash at the end of the financial year</b>	11	4,769,811	4,127,494	4,428,512	4,094,334

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

## Statements of Changes in Equity

For the year ended 30 June 2009

<b>CONSOLIDATED</b>	<b>Issued capital \$</b>	<b>Retained earnings \$</b>	<b>Fair value reserve \$</b>	<b>Total \$</b>
<b>At 1 July 2007</b>	15,490,639	4,384,405	237,246	20,112,290
Net change in fair value of available for sale assets, net of tax	-	-	(219,744)	(219,744)
Net gain in fair value available for sale assets transferred to profit and loss on disposal, net of tax	-	-	(133,350)	(133,350)
Fair value decline recognised in fair value reserve transferred to profit and loss due to impairment	-	-	104,025	104,025
Share issue costs	(268,441)	-	-	(268,441)
Total income and expense recognised directly in equity	(268,441)	-	(249,069)	(517,510)
Loss for the period	-	(2,421,829)	-	(2,421,829)
Total recognised directly in equity	-	(2,421,829)	-	(2,421,829)
Share based payments expense	-	908,459	-	908,459
Share placement	5,000,000	-	-	5,000,000
In specie distribution	-	(1,999,700)	-	(1,999,700)
Options exercised	256,000	-	-	256,000
<b>At 30 June 2008</b>	<b>20,478,198</b>	<b>871,335</b>	<b>(11,823)</b>	<b>21,337,710</b>
<b>At 1 July 2008</b>	20,478,198	871,335	(11,823)	21,337,710
Net gain in fair value available for sale assets transferred to profit and loss on disposal, net of tax	-	-	176,258	176,258
Total income and expense recognised directly in equity	-	-	176,258	176,258
Loss for the period	-	(10,028,995)	-	(10,028,995)
Total recognised directly in equity	-	(10,028,995)	-	(10,028,995)
Share based payments expense	-	(97,970)	-	(97,970)
Share placement	1,032,056	-	-	1,032,056
Share issue costs	(92,017)	-	-	(92,017)
Share rights issue	2,890,250	-	-	2,890,250
<b>At 30 June 2009</b>	<b>24,308,487</b>	<b>(9,255,630)</b>	<b>164,435</b>	<b>15,217,292</b>

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

The statements of changes in equity are to read in conjunction with the notes to the financial statements.

## Statements of Changes in Equity (continued)

For the year ended 30 June 2009

COMPANY	Issued capital \$	Retained earnings \$	Fair value reserve \$	Total \$
<b>At 1 July 2007</b>	15,490,639	585,065	237,246	16,312,950
Net change in fair value of available for sale assets, net of tax	-	-	(219,744)	(219,744)
Net gain in fair value available for sale assets transferred to profit and loss on disposal, net of tax	-	-	(133,350)	(133,350)
Fair value decline recognised in fair value reserve transferred to profit and loss due to impairment	-	-	104,025	104,025
Share issue costs	(268,441)	-	-	(268,441)
Total income and expense recognised directly in equity	(268,441)	-	(249,069)	(517,510)
Loss for the period	-	(2,973,241)	-	(2,973,241)
Total recognised directly in equity	-	(2,973,241)	-	(2,973,241)
Share based payments expense	-	908,459	-	908,459
Share placement	5,000,000	-	-	5,000,000
Options exercised	256,000	-	-	256,000
<b>At 30 June 2008</b>	20,478,198	(1,479,717)	(11,823)	18,986,658
<b>At 1 July 2008</b>	20,478,198	(1,479,717)	(11,823)	18,986,658
Net change in fair value of available for sale assets, net of tax	-	-	176,258	176,258
Total income and expense recognised directly in equity	-	-	176,258	176,258
Loss for the period	-	(10,093,547)	-	(10,093,547)
Total recognised directly in equity	-	(10,093,547)	-	(10,093,547)
Share based payments expense	-	(97,970)	-	(97,970)
Share placement	1,032,056	-	-	2,890,250
Share issue costs	(92,017)	-	-	(92,017)
Share rights issue	2,890,250	-	-	1,032,056
<b>At 30 June 2009</b>	24,308,487	(11,671,234)	164,435	12,801,688

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

The statements of changes in equity are to read in conjunction with the notes to the financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 1 REPORTING ENTITY

TNG Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the 'Group'). The financial report was authorised for issue by the Directors on 18 September 2009.

The principal activities of the Group during the course of the financial year were the exploration of its Manbarrum Project and Mount Peake projects; the review of projects for potential acquisition; the management of its other exploration properties and management of its interest in the Cawse Extended Project.

## 2 BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- share based payments are measured at fair value

The methods used to measure fair values are discussed further in Note 4.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of all entities in the Group.

### (d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 18 & 21 – provisions and contingencies
- Note 5 – valuation of financial instruments
- Note 25 – measurement of share-based payments
- Note 15 – exploration and evaluation expenditure

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### (a) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements less impairment losses.

##### (ii) Associates

Associates are those entities over which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of income and expenses of associates, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements investment in associates are carried at cost of acquisition.

##### (iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates, if not consumed or sold by the associate, when the Group's interest in such entities is disposed of.

#### (b) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences:

- (i) Except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised;

- (iii) When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- (iv) When the deductible temporary difference is associated with investments in subsidiaries and associates in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### (c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- (ii) Receivables and payables are stated with the amount of GST included;
- (iii) The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet;

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Goods and services tax (continued)

- (iv) Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows; and
- (v) Commitments and contingencies are disclosed net of the amount of GST recoverable
- (vi) from, or payable to, the taxation authority.

#### (d) Plant and equipment

##### (i) Recognition and measurement

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The cost of property and equipment at 1 July 2004, the date of transition to AASBs was determined by reference to its fair value at that date. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

##### (ii) Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in note 3(n).

##### (iii) Subsequent costs

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

##### (iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	4 years
Plant and equipment	3 to 8 years
Fixtures and fittings	3 to 8 years
Buildings	40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

#### (e) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of the Group at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments

#### (i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade dates, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(m).

#### **Available-for-sale financial assets**

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(h) and foreign exchange gains and losses on available-for-sale monetary items (see note 3(e)), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

#### **Investments at fair value through profit and loss**

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### **Other**

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

#### (ii) *Share capital*

##### **Ordinary shares**

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Intangible assets

##### Exploration and evaluation assets

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

- i) The expenditures are expected to be recouped through successful development and exploitation of the area of interest, or
- ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when:

- i) Sufficient data exists to determine technical feasibility and commercial viability, and
- ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (h)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

#### (h) Impairment

##### (i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Impairment (continued)

#### (ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation of amortisation, if no impairment loss had been recognised.

### (i) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

### (j) Employee benefits

#### (i) *Share based payments*

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for share's or rights over shares ('equity-settled transactions').

The fair value of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Employee benefits (continued)

##### (i) *Share based payments (continued)*

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of TNG 'market conditions' if applicable.

The fair value of equity-settled transactions are recognised, together with a corresponding increase in equity over the period, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) TNG's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

##### (ii) *Short term benefit*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

##### (iii) *Defined contribution funds*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

#### (k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Income and Expenses

#### (i) *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the term of lease.

#### (ii) *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (iii) *Finance income and expenses*

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

#### (iv) *Sale of goods*

Income from the sale of tenements and assets held for trading are recognised when significant risk and rewards of ownership of the goods passes to the customer provided that the amount of revenue and the costs incurred or to be incurred can be measured reliably.

### (m) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases which are not recognised on the Groups balance sheet.

### (n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all diluted potential ordinary shares, which comprise convertible notes and share options granted to employees.

#### (p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied preparing this financial report:

Revised AASB 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
- Transaction costs, other than share and debt issue costs, will be expensed as incurred
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

Amended AASB 127 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 10).

Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2009

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) New standards and interpretations not yet adopted (continued)

Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Group's 30 June 2010 financial statements.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

AASB 2008-7 Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate changes the recognition and measurement dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

AASB 2008-8 Amendments to Australian Accounting Standard - Eligible Hedged Items clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

## 4 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Equity investments

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

### (ii) Other receivables, trade and other payables

Other receivables, trade and other payables are short term in nature. As a result, the fair value of these instruments is considered to approximate its fair value.

### (iii) Loans and borrowings

The fair value of interest bearing borrowings is estimated as the present value of the future cashflows discounted at the market rate of interest at the reporting date.

## 4 DETERMINATION OF FAIR VALUES (CONTINUED)

### *(iv) Share-based payment transactions*

The fair value of employee options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 5 FINANCIAL RISK MANAGEMENT

### Overview

This note presents information about the Company's and Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. For the Company it arises from receivables due from subsidiaries.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk for the group other than cash.

### *Cash and cash equivalents*

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. The group also has its term deposits spread between a number of approved deposit taking institutions so the consolidated balance is covered under the Commonwealth governments Bank deposit Guarantee scheme.

### *Trade and other receivables*

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of loans to subsidiaries and investments. The management does not expect any counterparty to fail to meet its obligations. Other receivables mainly comprise of GST receivables.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

##### *Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		<b>CONSOLIDATED</b>	
		<b>Carrying amount</b>	
<b>Note</b>		<b>2009</b>	<b>2008</b>
Other receivables	12	92,342	82,397
Cash and cash equivalents	11	4,769,811	4,127,494
		4,862,153	4,209,891
		<b>COMPANY</b>	
		<b>Carrying amount</b>	
<b>Note</b>		<b>2009</b>	<b>2008</b>
Loans to controlled entities	12	7,947,207	13,135,596
Other receivables	12	48,737	52,648
Cash and cash equivalents		4,428,512	4,094,334
		12,424,456	17,282,578

##### *Impairment losses*

None of the Group's and Company's other receivables are past due (2008: nil).

The movement in the allowance for impairment loss on Loans to controlled entities during the year was as follows:

		<b>COMPANY</b>	
		<b>Carrying amount</b>	
<b>Note</b>		<b>2009</b>	<b>2008</b>
Balance at 1 July	12	-	(1,623,203)
Impairment loss recognised	12	(7,546,355)	1,623,203
Balance at 30 June		(7,546,355)	-

The allowance accounts in respect of Loans to controlled entities are used to record impairment losses unless the company is satisfied that no recovery of the amount is possible; at this point the amount is considered irrecoverable and is written off against the financial asset directly.

##### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

#### Liquidity risk (continued)

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

CONSOLIDATED	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
<b>30 June 2009</b>						
Loan and other borrowings	-	-	-	-	-	-
Trade and other payables	256,328	256,328	256,328	-	-	-
	256,328	256,328	256,328	-	-	-
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
<b>30 June 2008</b>						
Loan and other borrowings	480,000	1,351,945	8,989	8,989	53,928	1,280,039
Trade and other payables	762,759	762,759	762,759	-	-	-
	1,242,759	2,114,704	771,748	8,989	53,928	1,280,039
COMPANY	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
<b>30 June 2009</b>						
Trade and other payables	206,227	206,227	206,227	-	-	-
	206,227	206,227	206,227	-	-	-
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
<b>30 June 2008</b>						
Trade and other payables	399,060	399,060	399,060	-	-	-
	399,060	399,060	399,060	-	-	-

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

The Group and the Company is not exposed to currency risk and at balance sheet date the Group and the Company holds no financial assets or liabilities which are exposed to foreign currency risk.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

##### *Interest rate risk*

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents and loans and borrowings), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in high interest bearing accounts.

#### Profile

At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

	CONSOLIDATED		COMPANY	
	Carrying amount 2009	2008	Carrying amount 2009	2008
<b>Variable rate instruments</b>				
Cash and cash equivalents	652,128	4,009,811	310,829	4,008,651
<b>Fixed rate instruments</b>				
Loan and borrowings	-	(480,000)	-	-
Cash and cash equivalents	4,117,683	117,683	4,117,683	85,683
	4,117,683	(362,317)	4,117,683	85,683

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased the Group's profit and equity by \$41,777 (2008: \$3,623) and the company's profit and equity by \$41,777 (2008: \$856). The group has determined that this is a reasonable shift in interest rates.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased or decreased the Group's equity and profit or loss by \$6,521 (2008: \$40,098) and the Company's equity and profit or loss by \$3,108 (2008: \$40,086).

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair values

#### *Fair values versus carrying amounts*

The carrying amounts of financial assets and liabilities approximate fair value except for the following balances:

Consolidated	30 JUNE 2009		30 JUNE 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>30 June 2008</b>				
Loans and borrowing	-	-	(480,000)	(416,731)
	-	-	(480,000)	(416,731)

The mortgage between the National Australia Bank and Tennant Creek Gold (NT) was discharged on 26 June 2009 upon settlement of the property sale.

The basis for the assessment of fair values versus carrying value is disclosed in note 4.

### Interest rates used for determining fair value

The interest rates used to discount estimated cash flows for loans and borrowings are based on the rates of similar loan products of the National Australia Bank as follows:

	2009	2008
NAB property loan	-	9.46%

#### *Other Market Price Risk*

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in listed equity instruments and warrants. Equity instruments are classified as available-for-sale and are carried at fair value with fair value changes recognised directly in equity until derecognised. Warrants are classified as held for trading and are carried at fair value with fair value changes recognized in the income statement.

The following table details the breakdown of the investment assets and liabilities held by the Group and Company:

	30 June 2009	30 June 2008
Listed options	25,568	6,493
Listed shares	485,454	208,834
Total equity investments	511,022	215,327

## Notes to the Financial Statements

For the year ended 30 June 2009

### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Sensitivity analysis

The Group's and the Company's available for sale equity investments and options held for trading are listed on the Australian Securities Exchange. A 10% increase in prices at 30 June 2009 would have increased equity by \$51,102 (2008: \$21,318) and increased profit and loss by \$2,556 (2008: \$649); an equal change in the opposite direction would have decreased equity by \$51,102 (2008: \$21,318) and decreased profit and loss by \$2,556 (2008: \$20,649). The group has determined that this is a reasonable shift in the market prices.

#### *Commodity Price Risk*

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

#### *Capital Management*

The group has defined its capital as paid up share capital.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets or reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 6 INCOME AND EXPENSES

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>(a) Other income</b>					
Gain on sale of property plant and equipment		85,835	-	-	-
Research and development rebate		354,264	-	354,264	-
<b>Total Income</b>		<b>440,099</b>	<b>-</b>	<b>354,264</b>	<b>-</b>
<b>(b) Net financial income</b>					
Loss on sale of investments		(1,747)	-	(1,747)	-
Interest income		305,041	379,732	305,041	379,732
Net gain on disposal of available for sale investment transferred from equity		-	133,350	-	133,350
Change in fair value of investments held-for-trading		23,011	(44,371)	23,011	(44,371)
Finance Income		326,305	468,711	326,305	468,711
Interest expense		(32,189)	(38,640)	-	(2,603)
Impairment loss on available for sale investments	13	(68,234)	(138,161)	(68,234)	(138,161)
Finance expense		(100,423)	(176,801)	(68,234)	(140,764)
<b>Net finance income and expense</b>		<b>225,882</b>	<b>291,910</b>	<b>258,071</b>	<b>327,947</b>
<b>(c) Corporate and Administration expenses</b>					
Travel and accommodation		103,233	264,748	94,823	241,125
Directors fees		200,380	214,400	200,380	214,400
Legal fees		553,945	376,968	553,945	361,638
Promotional		30,921	209,372	26,842	201,334
Office on-charges		(383,475)	(996,251)	(383,475)	(996,251)
Contractors and consultancy		188,174	443,244	176,174	409,244
Occupancy		227,153	217,831	227,153	217,831
Other		602,355	721,618	533,733	629,753
<b>Total Corporate and Administration</b>		<b>1,522,686</b>	<b>1,451,930</b>	<b>1,429,575</b>	<b>1,279,074</b>

The Company invoiced another party \$383,475 (2008: \$996,251) for the reimbursement of office and administration costs during the year.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 6 INCOME AND EXPENSES (CONTINUED)

	Note	CONSOLIDATED		THE COMPANY	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>(d) Employment expenses</b>					
Wages and salaries		397,089	700,617	367,669	657,880
Other associated personnel expenses		62,085	203,170	62,085	203,170
Contributions to defined contribution plans		36,748	64,463	33,929	60,585
Equity settled share-based payment transaction	25	(97,970)	908,459	(97,970)	908,459
<b>Total employment expenses</b>		<b>397,952</b>	<b>1,876,709</b>	<b>365,713</b>	<b>1,830,094</b>
<b>(e) Depreciation and amortisation</b>					
Depreciation of:					
Plant and equipment	14	102,018	161,288	45,321	72,282
Motor vehicle	14	24,975	55,562	-	-
Leasehold improvements	14	62,595	62,578	62,595	62,578
Buildings	14	18,203	28,717	-	-
<b>Total depreciation</b>		<b>207,791</b>	<b>308,145</b>	<b>107,916</b>	<b>134,860</b>

### 7 AUDITORS' REMUNERATION

	Note	CONSOLIDATED		THE COMPANY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Auditors of the Company					
<i>KPMG Australia:</i>					
Audit and review of financial reports		79,250	77,070	79,250	77,070
Advisory services		15,000	-	15,000	-
		<b>94,250</b>	<b>77,070</b>	<b>94,250</b>	<b>77,070</b>

## 8 INCOME TAX

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
A reconciliation between tax expense and pre-tax loss:				
Accounting loss before income tax	(10,028,995)	(2,421,829)	(10,093,547)	(2,973,241)
At the domestic interest tax rate of 30% (2008: 30%)	(3,008,699)	(726,549)	(3,028,064)	(891,972)
Expenditure not allowed for income tax purposes				
Provision for non-recovery of loans	-	-	2,263,906	-
Impairment of subsidiary investment	-	-	376,897	-
Share-based payments	(29,391)	272,537	(29,391)	272,537
Research and development rebate	(106,279)	-	(106,279)	-
Other non-deductible	153,237	63,505	153,063	63,505
Tax losses and temporary differences not brought to account	2,991,132	390,507	369,868	555,930
<b>Income tax expense reported in the income statement</b>	-	-	-	-
Unused tax losses	17,956,557	15,051,920	17,956,557	15,051,920
Potential tax benefit @ 30%	5,386,967	4,515,576	5,386,967	4,515,576
Tax losses offset against tax liabilities	(2,250,516)	(4,364,277)	-	-
Unrecognised tax benefit	3,136,451	151,299	5,386,967	4,515,576

All unused tax losses were incurred by Australian entities

Potential future income tax benefits net of deferred tax liabilities attributable to tax losses (both consolidated and Parent Entity) have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefits of these tax losses will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit.

### Deferred income tax

#### Balance Sheet

Deferred income tax relates to the following:

#### Deferred Tax Liabilities

Exploration and evaluation assets	2,250,516	4,364,277	-	-
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#### Deferred Tax Assets – tax losses

Deferred tax assets used to offset deferred tax liabilities	(2,250,516)	(4,364,277)	-	-
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	-	-	-	-
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## Notes to the Financial Statements

For the year ended 30 June 2009

### 8 INCOME TAX (CONTINUED)

#### *Tax Consolidation Legislation*

TNG Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 3(b).

The entities have not entered into a tax funding agreement.

### 9 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2009 was based on the loss attributable to ordinary shareholders of \$10,028,995 (2008: loss \$2,421,829) and a weighted average number of ordinary shares on issue during the year ended 30 June 2009 of 248,054,590 (2008: 188,736,590).

#### Loss attributable to ordinary shareholders

	2009 \$	2008 \$
Loss for the period	(10,028,995)	(2,421,829)
Loss attributable to ordinary shareholders	(10,028,995)	(2,421,829)

#### Weighted average number of ordinary shares

	2009 Numbers	2008 Numbers
Number of ordinary shares at 1 July	192,683,315	182,092,405
Effect of shares issued	55,371,275	6,644,185
Weighted average number of ordinary shares at 30 June	248,054,590	188,736,590

At balance sheet date the company has options which were not yet exercised as per note 19.

Potential ordinary shares are not considered dilutive as their conversion does not show an inferior view of the earnings performance of the Company. Accordingly diluted earnings per share is the same as the basic earnings per share.

### 10 SEGMENT INFORMATION

The Group operated predominantly in one business segment and in one geographical location. The operations of the Group consists of mineral exploration in Australia.

## 11 CASH AND CASH EQUIVALENTS

Note	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash	4,652,128	4,009,811	4,342,829	4,008,651
Bank short term deposits	117,683	117,683	85,683	85,683
	4,769,811	4,127,494	4,428,512	4,094,334

The bank short term deposits maturing within 90 days are paying interest at a weighted average interest rate of 3.67% at 30 June 2009 (2008: 6.40%).

## 12 OTHER RECEIVABLES

Note	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current</b>				
Other receivables	18,606	-	18,606	-
GST receivables	73,736	82,397	30,131	52,648
	92,342	82,397	48,737	52,648
<b>Non-current</b>				
Loans to controlled entities	-	-	15,043,562	13,135,596
Impairment of loans to controlled entities	-	-	(7,546,355)	-
	-	-	7,497,207	13,135,596

During 2008 the intercompany loan to Connaught Mining NI which is a 100% owned subsidiary for \$1,683,363 and associated provision of \$1,626,203 were written off. The balance of the impairment for \$57,160 was recorded as an expense in the profit and loss. The company has an impairment loss of \$7,546,355 in 2009 due to a subsidiary being in a net liability position.

## 13 OTHER INVESTMENTS

Note	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Current investments</b>				
Financial assets held for trading	25,568	6,493	25,568	6,493
	25,568	6,493	25,568	6,493
<b>Non current investments</b>				
Investments in controlled entities	-	-	1,656,323	1,656,323
Impairment of investments in controlled entities	-	-	(1,256,323)	-
Available-for-sale investments	485,454	208,834	485,454	208,834
	485,454	208,834	885,454	1,865,157

The company has an impairment loss of \$1,256,323 in 2009 due to a subsidiary being in a net liability position.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 13 OTHER INVESTMENTS (CONTINUED)

#### Available-for-sale investments

Available-for-sale investments consist of equity investments in a company listed on the Australian Securities Exchange ("ASX") which operates in mineral exploration.

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Balance at 1 July		208,834	566,663	208,834	566,663
Additional investment		171,701	106,050	171,701	106,050
Disposal		(4,289)	(210,000)	(4,289)	(210,000)
Change in fair value		177,442	(219,743)	177,442	(219,743)
Impairment – Profit and loss	6	(68,234)	(138,161)	(68,234)	(138,161)
Impairment – Equity transfer		-	104,025	-	104,025
Balance at 30 June		485,454	208,834	485,454	208,834

#### Financial assets held for trading

Investments carried as financial assets held for trading consists of warrants in companies listed on the Australian Securities Exchange ("ASX")

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Balance at 1 July		6,493	50,864	6,493	50,864
Change in fair value	6	23,011	(44,371)	23,011	(44,371)
Additional investment		2,557	-	2,557	-
Disposals		(6,493)	-	(6,493)	-
		25,568	6,493	25,568	6,493

## 14 PLANT &amp; EQUIPMENT

Cost	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Leasehold improvements</i>				
Balance at 1 July	250,379	244,617	250,379	244,617
Additions	-	5,762	-	5,762
Disposals	-	-	-	-
Balance at 30 June	250,379	250,379	250,379	250,379
<i>Plant and equipment</i>				
Balance at 1 July	739,159	695,969	380,370	369,619
Additions	22,795	43,190	22,794	10,751
Disposals	(255,658)	-	-	-
Balance at 30 June	506,296	739,159	403,164	380,370
<i>Motor vehicle</i>				
Balance at 1 July	156,627	221,641	-	-
Additions	-	-	-	-
Disposals	(156,627)	(65,014)	-	-
Balance at 30 June	-	156,627	-	-
<i>Land and buildings</i>				
Balance at 1 July	715,958	715,958	-	-
Additions	5,130	-	-	-
Disposals	(721,088)	-	-	-
Balance at 30 June	-	715,958	-	-

## Notes to the Financial Statements

For the year ended 30 June 2009

### 14 PLANT & EQUIPMENT (CONTINUED)

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Accumulated Depreciation</b>				
<i>Leasehold improvements</i>				
Balance at 1 July	123,732	61,154	123,732	61,154
Depreciation charge for the year	62,595	62,578	62,595	62,578
Disposal	-	-	-	-
Balance at 30 June	186,327	123,732	186,327	123,732
<i>Plant and equipment</i>				
Balance at 1 July	468,641	310,663	294,975	226,005
Depreciation charge for the year	102,018	161,288	45,321	72,282
Disposal	(163,183)	(3,310)	-	(3,312)
Balance at 30 June	407,476	468,641	340,296	294,975
<i>Motor vehicle</i>				
Balance at 1 July	78,886	55,410	-	-
Depreciation charge for the year	24,975	55,561	-	-
Disposal	(103,861)	(32,085)	-	-
Balance at 30 June	-	78,886	-	-
<i>Buildings</i>				
Balance at 1 July	42,869	14,152	-	-
Depreciation charge for the year	18,203	28,717	-	-
Disposal	(61,072)	-	-	-
Balance at 30 June	-	42,869	-	-
<b>Carrying amounts</b>				
<i>Leasehold improvements</i>				
At 1 July	126,647	183,463	126,647	183,463
At 30 June	64,052	126,647	64,053	126,647
<i>Plant and equipment</i>				
At 1 July	270,518	385,306	85,395	143,615
At 30 June	98,820	270,518	62,868	85,395
<i>Motor vehicle</i>				
At 1 July	77,741	166,231	-	-
At 30 June	-	77,741	-	-
<i>Land and buildings</i>				
At 1 July	673,089	701,806	-	-
At 30 June	-	673,089	-	-
<b>Total</b>	162,872	1,147,995	126,920	212,042

**15 EXPLORATION AND EVALUATION EXPENDITURE**

Cost	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance At 1 July	16,985,982	9,433,453	-	-
Exploration expenditure	1,520,675	7,552,529	-	-
Impairment	(8,566,546)	-	-	-
Balance at 30 June	9,940,111	16,985,982	-	-
Drilling	54,347	4,372,070	-	-
Analysis	224,596	601,650	-	-
Sale of tenements	-	(1,058,519)	-	-
Other expenditure including Metallurgical test work and salaries	1,241,732	3,637,328	-	-
Total exploration expenditure	1,520,675	7,552,529	-	-

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 \$9,940,111 of which \$5,420,611 is attributable to the significant exploration of the consolidated entity's Manbarrum project, \$3,595,341 to Cawse Extended, with the balance relating to other exploration programs including Mount Peake.

Management reassessed the carrying value of its tenements during the year by obtaining an independent estimation of their fair values. The range of the subsequent valuation for the company's Manbarrum project was between \$5 million and \$8 million based upon the prevailing commodity prices at the time of the impairment test. Given the current economic climate management has chosen the estimate of \$5 million for Manbarrum which resulted in an impairment loss of \$8,566,546. The tenements in relation to the Cawse project have been tested for impairment using their royalty valuation. No impairment is required in relation to these tenements at 30 June 2009.

**16 TRADE AND OTHER PAYABLES**

Current	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables	120,108	156,333	109,848	146,055
Miriuwung community payment	-	354,723	-	-
Other	136,130	251,703	96,379	253,005
	256,238	762,759	206,227	399,060

## Notes to the Financial Statements

For the year ended 30 June 2009

### 17 LOANS AND BORROWINGS

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Non-current</b>				
Secured bank loan	-	480,000	-	-
	-	480,000	-	-

#### Terms and debt repayment schedule

Terms and conditions of the secured bank loans were as follows:

	CONSOLIDATED					
	30 JUNE 2009			30 JUNE 2008		
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Interest only loan						
Mortgage	-	-	-	-	480,000	480,000

### 18 PROVISIONS

	CONSOLIDATED		THE COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Employee provisions</b>				
<b>Current</b>				
Balance at 1 July	26,494	32,850	26,494	32,850
Provisions made/used during the year	13,739	(6,357)	13,739	(6,357)
Balance at 30 June	40,233	26,493	40,233	26,493

**19 CAPITAL**

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Issued and paid-up share capital	24,308,487	20,478,198	24,308,487	20,478,198

**(a) Movements in shares on issue**

	2009		2008	
	Number	\$	Number	\$
Balance at the beginning of year	192,683,315	20,478,198	182,092,405	15,490,639
Share placement	17,200,934	1,032,056	9,090,910	5,000,000
Rights issue	48,170,828	2,890,250	-	-
Options Exercised	-	-	1,500,000	256,000
Share issue costs	-	(92,017)	-	(268,441)
Balance at end of year	258,055,077	24,308,487	192,683,315	20,478,198

*Terms and conditions of contributed equity*

Holders of ordinary shares are entitled to receive dividends that may be declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds from liquidation.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

**(b) Options on issue**

Exercise date	Exercise price <sup>1</sup>	Number at end of year	
		2009	2008
31 December 2011 (unlisted)	\$0.32	1,800,000	4,100,000
31 March 2010 (unlisted)	\$0.49	14,000,000	14,000,000
1 November 2009 (unlisted)	\$0.75	200,000	200,000
31 August 2011 (unlisted)	\$0.15	500,000	-

*Terms and conditions of options*

Share options carry no rights to dividends and no voting rights.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 19 CAPITAL (CONTINUED)

#### (c) Dividends

No dividends were declared or paid during the 2009 financial year.

#### Dividend franking account

30% franking credits available to shareholders of TNG for subsequent financial years

THE COMPANY	
2009	2008
\$	\$
1,008,568	1,008,568

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare the dividends.

### 20 COMMITMENTS

#### Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the Group are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These requirements are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Exploration commitments payable not provided for in the financial report:				
Within one year	1,191,000	2,521,872	-	-
<i>Operating lease commitments</i>				
Operating lease commitments are payable as follows:				
Within one year	12,288	12,288	8,388	8,388
Between one year and 5 years	11,264	10,939	7,689	7,689
	23,552	23,227	16,077	16,077

## 21 CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The Directors are not aware of any circumstance or information which could lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Litigation</b>				
Constructive trust claim over the Kanowna Securities. Refer below.	2,146,687 <sup>2</sup>	277,000	2,146,687 <sup>2</sup>	277,000
<b>Guarantees</b>				
A guarantee has been provided to support unconditional environmental performance bonds	117,000	117,000	117,000	117,000
<b>Indemnities<sup>1</sup></b>				
Total estimated contingent liabilities	2,263,687	394,000	2,263,687	394,000

<sup>1</sup> Indemnities have been provided to Directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2009.

<sup>2</sup> The Commonwealth claims that it is entitled to an amount of \$2,146,687 representing a claim of \$1,274,000 for the value of the Kanowna Light NL shares and interest thereon since early 2000. TNG may also be liable for the Commonwealth's costs which are not included in the contingent liability figure above.

### Constructive Trust Claim

#### *Resolution of matters arising from 1998*

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.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 21 CONTINGENT LIABILITIES (CONTINUED)

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

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. It is not possible to predict the likely matter or the timing of an outcome.

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 cost.

### 22 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor, payment in full, in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are Connaught Mining NL and Enigma Mining Limited. In accordance with the terms of the Class Order a consolidated income statement and consolidated balance sheet comprising the entities that are party to the Deed as set out below.

	<b>CONSOLIDATED</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Income Statement</b>		
<i>Loss before income tax</i>	(10,028,995)	(2,421,829)
Share based payments	(97,970)	908,459
In specie distribution	-	(1,999,700)
Income tax benefit	-	-
<b>Movement in retained earnings</b>	<b>(10,126,965)</b>	<b>(3,513,070)</b>
Retained earnings at beginning of year	871,335	4,384,405
<b>Retained earnings at end of year</b>	<b>(9,255,630)</b>	<b>871,335</b>

## 22 DEED OF CROSS GUARANTEE (CONTINUED)

	CONSOLIDATED	
	2009 \$	2008 \$
<b>Balance Sheet</b>		
Cash assets	4,429,803	4,159,577
Trade and other receivables	54,391	82,397
Prepayments	35,752	47,768
Other investments	25,568	6,493
<b>Total current assets</b>	<b>4,545,514</b>	<b>4,296,235</b>
Other investments	484,454	208,834
Plant and equipment	127,920	212,042
Intercompany loan	6,044,826	13,132,661
Exploration and evaluation expenditure	4,259,748	3,912,189
<b>Total non-current assets</b>	<b>10,916,948</b>	<b>17,465,726</b>
<b>Total assets</b>	<b>15,462,462</b>	<b>21,761,961</b>
Trade and other payables	109,848	397,758
Provision	135,310	26,493
<b>Total current liabilities</b>	<b>245,158</b>	<b>424,251</b>
<b>Total liabilities</b>	<b>245,158</b>	<b>424,251</b>
<b>Net assets</b>	<b>15,217,292</b>	<b>21,337,710</b>
Issued capital	24,308,487	20,478,198
Reserves	164,435	(11,823)
Retained earnings	(9,255,630)	871,335
<b>Total equity</b>	<b>15,217,292</b>	<b>21,337,710</b>

## 23 CONSOLIDATED ENTITIES

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Investments in controlled entities				
Unlisted shares at cost	-	-	2,492,261	2,492,261
Less: impairment	-	-	(2,092,261)	(835,938)
	-	-	400,000	1,656,323

	Country of Incorporation	2009 % of Ownership	2008 % of Ownership
<i>Subsidiaries</i>			
Connaught Mining NL	Australia	100	100
Enigma Mining Limited	Australia	100	100
Tennant Creek Gold (NT) Pty Ltd	Australia	100	100
Manbarrum Mining Pty Ltd	Australia	100	100
TNG Energy Pty Ltd <sup>1</sup>	Australia	100	100

<sup>1</sup> Direct subsidiary of Enigma Limited

# Notes to the Financial Statements

For the year ended 30 June 2009

## 24 NOTES TO THE STATEMENTS OF CASH FLOWS

### (a) Reconciliation of cash flows from operating activities

	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Net loss for the period	(10,028,995)	(2,421,829)	(10,093,547)	(2,973,241)
<i>Add/(less) items classified as investing/financing activities:</i>				
Gain on sale of tenements	-	(941,481)	-	-
Gain on sale of investments	1,747	(88,979)	1,747	(88,979)
Finance Costs	32,189	38,640	-	2,603
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	207,791	308,145	107,916	134,860
(Profit)/loss on disposal of plant and equipment	(85,835)	18,436	-	-
Share based payments	(97,970)	908,457	(97,970)	908,457
Impairment in investments	68,234	138,161	68,234	138,161
Impairment on intercompany loans	-	-	7,546,355	57,160
Impairment of intercompany investments	-	-	1,256,323	-
Gain on Held for trading investments	(23,011)	-	(23,011)	-
Impairment of exploration costs	8,566,546	-	-	-
	(1,359,304)	(2,040,450)	(1,233,953)	(1,820,979)
<b>Change in assets and liabilities:</b>				
Increase/(decrease) in current payables, borrowing and provisions	(473,960)	(103,119)	(146,384)	163,458
(Increase)/decrease in current receivables	(18,606)	-	(18,606)	-
<b>Net cash used in operating activities</b>	<b>(1,851,870)</b>	<b>(2,143,569)</b>	<b>(1,398,943)</b>	<b>(1,657,521)</b>

## 25 EMPLOYEE BENEFITS

	Note	CONSOLIDATED		THE COMPANY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Aggregate liability for employee benefits, including on-costs					
<b>Current</b>					
Employee benefits provision	18	40,233	26,493	40,233	26,493

### Defined contribution superannuation funds

The Group made contributions to the employees' nominated superannuation funds. The amount recognised as an expense was \$36,748 for the financial year ended 30 June 2009 (2008: \$64,463).

### Share-based payments

#### Summary of options over unissued ordinary shares granted.

The following share-based payment arrangements are in existence:

Options series	Number	Not vested	Grant date	Expiry date	Exercise price \$	Fair value \$	Vesting date
2	600,000	-	5 April 2007	31 Dec 2011	\$0.380	\$0.289	-
2	600,000	-	5 April 2007	31 Dec 2011	\$0.380	\$0.289	-
2	600,000	600,000	5 April 2007	31 Dec 2011	\$0.380	\$0.289	31 Dec 2009
3	10,000,000	-	19 June 2007	31 Mar 2010	\$0.49	\$0.394	-
4	2,500,000	-	27 June 2007	31 Mar 2010	\$0.49	\$0.740	-
5	200,000	-	26 Nov 2007	1 Nov 2009	\$0.75	\$0.190	-
6	1,500,000	-	13 Nov 2007	31 Mar 2010	\$0.49	\$0.190	-
7	500,000	-	25 Aug 2008	31 Aug 2011	\$0.15	\$0.036	-

The fair value of equity share options granted is estimated at the issue date using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. The following table lists the inputs to the model used for the years ended 30 June 2009.

Grant date	5 April 2007	19 June 2007	27 Jun 2007	13 Nov 2007	26 Nov 2007	25 Aug 2008
Dividend yield	-	-	-	-	-	-
Underlying security spot price	\$0.42	\$0.65	\$1.05	\$0.40	\$0.50	\$0.072
Exercise price	\$0.38	\$0.50	\$0.50	\$0.49	\$0.75	\$0.15
Standard deviation of returns	80.00%	80.00%	80.00%	80.00%	80.00%	100%
Risk free rate	6.09%	6.48%	6.42%	6.71%	6.45%	4.58%
Expiration period	4-7 years	2-8 years	2-8 years	2-3 years	1-9 years	3 years
Black Scholes valuation	\$0.289	\$0.394	\$0.740	\$0.190	\$0.190	\$0.036
Vesting Period	Immediately	Immediately	Immediately	Immediately	Immediately	Immediately

## Notes to the Financial Statements

For the year ended 30 June 2009

### 25 EMPLOYEE BENEFITS (CONTINUED)

#### Employee expenses

	Note	CONSOLIDATED		THE COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Share options granted in 2007 equity settled		(115,812)	580,972	(115,812)	580,972
Share options granted in 2008 equity settled		17,842	327,487	17,842	327,487
Total expense/(income) recognised as employee costs	6(d)	(97,970)	908,459	(97,970)	908,459

The number and weighted average exercise prices of share options is as follows:

Consolidated and Company				
	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at 1 July	\$0.49	18,300,000	\$0.49	19,100,000
Forfeited during the period	\$0.32	(2,300,000)	\$0.38	(1,000,000)
Exercised during the period	-	-	\$0.17	(1,500,000)
Granted during the period	\$0.15	500,000	\$0.52	1,700,000
Outstanding during the period	\$0.47	16,500,000	\$0.52	18,300,000
Exercisable at 30 June	\$0.48	15,900,000	\$0.49	15,900,000

The options outstanding at 30 June 2009 have an exercise price in the range of \$0.15 to \$0.75 and a weighted average contractual life of 3.08 years.

Options granted to Directors are disclosed under Note 26.

### 26 KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Details of key management personnel

##### Directors

John W Barr	(Chairman)
Paul E Burton	(Chief-executive Officer) – Appointed 11 August 2008
Neil G Biddle	(Non-executive Director)
Edward J Fry	(Non-executive Director)
Michael P Bowen	(Non-executive Director) – Resigned 11 November 2008
Terence N Smith	(Non-executive Director) – Resigned 11 November 2008

##### Executives

Scott L Rauschenberger (Financial Controller)

## 26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (b) Compensation of key management personnel

#### Compensation by category

Note	CONSOLIDATED		THE COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
<i>Key Management Personnel</i>				
Short-term	786,755	944,405	786,755	944,405
Post-employment	38,631	56,516	38,631	56,516
Share-based payments	-	578,036	-	578,036
	825,386	1,578,957	825,386	1,578,957

Information regarding individual Directors and executives compensation and some equity disclosure as permitted by Corporations Regulation 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors Report.

### (c) Equity instruments

All options refer to options over ordinary shares of TNG, which are exercisable on a one for one basis as approved by shareholders.

#### Options and rights over equity instruments

During the reporting period, the following options over ordinary shares were granted to Directors and executives and approved by shareholders.

The movement during the reporting period in the number of options over ordinary shares in TNG held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities, is as follows:

#### Movements in options

	Held at 1 July 2008	Granted as remuneration	Other changes <sup>1</sup>	Exercised	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
<b>Directors</b>							
John W Barr	3,000,000	-	-	-	3,000,000	-	3,000,000
Neil G Biddle	3,000,000	-	-	-	3,000,000	-	3,000,000
Michael P Bowen	2,000,000	-	(2,000,000)	-	-	-	-
Edward J Fry	1,500,000	-	-	-	1,500,000	-	1,500,000
Terence N Smith	2,000,000	-	(2,000,000)	-	-	-	-
Paul E Burton <sup>2</sup>	1,500,000	-	-	-	1,500,000	500,000	1,000,000
<b>Executives</b>							
Scott L Rauschenberger	-	-	-	-	-	-	-

<sup>1</sup> Michael P Bowen and Terence N Smith resigned on 11 November 2008. Accordingly the disclosure on their options are not disclosed after that date. 4,000,000 options have vested and are exercisable.

<sup>2</sup> Appointed Director 11 August 2008

## Notes to the Financial Statements

For the year ended 30 June 2009

### 26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

#### (c) Equity instruments (continued)

*Movements in options (continued)*

	Held at 1 July 2007	Granted as remuneration	Other changes <sup>1</sup>	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
<b>Directors</b>							
John W Barr	3,000,000	-	-	-	3,000,000	-	3,000,000
Neil G Biddle	3,000,000	-	-	-	3,000,000	-	3,000,000
Michael P Bowen	2,000,000	-	-	-	2,000,000	-	2,000,000
Edward J Fry	1,500,000	1,500,000	-	(1,500,000)	1,500,000	1,500,000	1,500,000
Terence N Smith	2,000,000	-	-	-	2,000,000	-	2,000,000
<b>Executives</b>							
Damian P Delaney <sup>1</sup>	1,500,000	-	(1,500,000)	-	-	-	-
Paul E Burton	1,500,000	-	-	-	1,500,000	500,000	500,000
Scott L Rauschenberger <sup>2</sup>	-	-	-	-	-	-	-

<sup>1</sup> Damian Delaney resigned as CFO on the 30 May 2008. Accordingly the disclosure on Mr Delaney's options are not disclosed after that date. 1,000,000 of his unvested options were cancelled. 500,000 options have vested and are exercisable. <sup>2</sup> Scott Rauschenberger was appointed Financial Controller on the 19 November 2007

No amounts remain unpaid on the options exercised during the financial year at year end.

*Equity holdings and transactions*

The movement during the reporting period in the number of ordinary shares of TNG held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2009
<b>Directors</b>						
John W Barr	7,480,000	2,500,000	-	-	-	9,980,000
Neil G Biddle	7,156,625	1,876,715	-	(2,000,000)	-	7,033,340
Michael P Bowen	3,265,090	-	-	-	(3,265,090)	-
Edward J Fry	1,876,785	421,107	-	-	-	2,297,892
Terence N Smith	5,272,710	-	-	-	(5,272,710)	-
<b>Executives</b>						
Paul E Burton	80,000	670,000	-	-	-	750,000
Scott L Rauschenberger	-	400,000	-	-	-	400,000

<sup>1</sup> Michael P Bowen and Terrance N Smith resigned on 11 November 2008. Accordingly the disclosure on their equity holdings are not disclosed after that date.

## 26 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (c) Equity instruments (continued)

*Equity holdings and transactions (continued)*

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2008
<b>Directors</b>						
John W Barr	11,120,000	-	-	(3,640,000)	-	7,480,000
Neil G Biddle	10,356,625	-	-	(3,200,000)	-	7,156,625
Michael P Bowen	3,265,090	-	-	-	-	3,265,090
Edward J Fry	426,785	-	1,500,000	50,000	-	1,876,785
Terence N Smith	5,272,710	-	-	-	-	5,272,710
<b>Executives</b>						
Damian P Delaney	1,470,000	49,000	-	(79,000)	(1,440,000) <sup>1</sup>	-
Paul E Burton	-	80,000	-	-	-	80,000
Scott L Rauschenberger	-	-	-	-	-	-

<sup>1</sup> Damian Delaney resigned as CFO on the 30 May 2008. Accordingly the disclosure of his equity holding is not disclosed after that date.

No shares were granted to key management personnel during the reporting period in 2008 and 2009.

No shares were held by related parties of key management personnel.

### (d) Other transactions with key management personnel

A number of key management personnel, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. Their terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to specified key management personnel and their personally-related entities, were total revenue of \$Nil and total net expense after reimbursement of office costs of \$81,217 (2008: \$78,735). Details of the transactions are as follows:

Specified Directors	Transaction	Note	2009 \$	2008 \$
Neil G Biddle	Corporate charters	(i)	30,700	26,540
Michael P Bowen	Legal fees	(ii)	50,517	52,195

(i) The Company used the services of Hannan Street Corporate Charters, an entity of which Mr Neil G Biddle is a related party.

(ii) The Company used the legal services of Hardy Bowen Lawyers, a legal firm of which Mr Michael P Bowen is a partner.

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

## Notes to the Financial Statements

For the year ended 30 June 2009

### 27 NON KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Wholly owned Group transactions

Details of interests in wholly owned controlled entities are set out in Note 23. Details of these dealings are set out below.

##### *Loans*

Loans between entities in the wholly owned Group are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company.

##### *Transactions*

	THE COMPANY	
	2009 \$	2008 \$
Balances with entities in the wholly-owned Group		
Receivable – non-current (net of impairment)	7,497,207	13,135,596

#### (b) Other related party transactions

The Company invoiced a director related en \$383,475 (2008: \$996,251) for the reimbursement of office and administration costs during the year.

##### *Joint venture operations*

Joint venture party	Joint venture	Principal activities	Consolidated			
			Interest		Exploration expenditure	
			2009 %	2008 %	2009 \$	2008 \$
Norilsk Nickel	Cawse Extended	Nickel/Cobalt	20%	20%	-	-
Mines and Resources Australia Pty Ltd	Kintore East	Gold	23.75%	23.75%	-	-

Exploration expenditure represents direct expenditure incurred by the Group.

## 27 NON KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

### (b) Other related party transactions (continued)

#### *Joint venture operations (continued)*

TNG Limited and Western Desert Resources ("WDR"), have entered into an agreement to joint venture a portfolio of non-core mineral exploration projects in the Northern Territory.

Under the agreement, WDR subsidiaries can earn up to an 80% interest in the Rover, Goddard and Musgrave Prospects by funding exploration expenditure totaling A\$4 million across the project group. A summary of the expenditure required and the earn-in profile is set out below:

In addition TNG will not be required to make any further financial contributions in respect of its interest in each of the Prospects until the successful completion of a Bankable Feasibility Study.

Prospect	Expenditure to earn 51%	Expenditure to earn further 29%	TOTAL
Rover	500,000	850,000	1,350,000
Goddards	250,000	400,000	650,000
Musgrave	750,000	1,250,000	2,000,000
<b>Total</b>	<b>\$1,500,000</b>	<b>\$2,500,000</b>	<b>\$4,000,000</b>

Certain time periods have been set for WDR to earn in to the prospects. To earn the initial 51% interest, WDR must spend the amounts above for the respective prospects within 18 months of date of grant of the tenements which, at which point a Joint Venture arrangement will come into existence. WDR then has a further 30 months from date of incorporation of the Joint Venture to spend the tabulated amounts to earn up to an 80% interest in the tenements.

## 28 EVENTS SUBSEQUENT TO BALANCE DATE

Paul E Burton was appointed CEO on 1 September 2009.

## Directors' Declaration

- 1 In the opinion of the directors of TNG Limited (the "Company"):
  - (a) the financial statements and notes, and the Remuneration report in the Director's report, set out on pages 18 to 73, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
    - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporation Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting standards as disclosed in note 2 (a).
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the group entities identified in note 22 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entities pursuant to ASIC Class Order 98/1418.
- 3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2009.

Signed in accordance with the resolution of the directors:



**John W Barr**

Chairman

Dated at Perth 18 September 2009

# Independent Audit Report to members of TNG Limited



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

### Report on the financial report

We have audited the accompanying financial report of TNG Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2 (a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Audit Report to members of TNG Limited (continued)

*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of TNG Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2 (a).

**Report on the remuneration report**

We have audited the Remuneration Report included on pages 20 to 23 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of TNG Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Denise McComish  
*Partner*

Perth  
18 September 2009

## ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### Shareholdings (as at 14 September 2009)

#### *Substantial shareholders*

Substantial holders in the Company are set out below:

Shareholder	Number	Percentage
CBH resources Ltd	16,194,065	6.28%
HSBC Custody Nominees (Aust) Ltd	13,210,913	5.12%

#### *Class of shares and voting rights*

- (a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
- (b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

#### *On-market buy-back*

There is no current on-market buy-back.

#### *Distribution of equity securities as at 29 August 2008*

Category	Ordinary shares
1 – 1,000	60,707
1,001 – 5,000	1,419,063
5,001 – 10,000	2,796,957
10,001 – 100,000	30,170,738
100,001 and over	223,606,611
	<b>258,055,076</b>

The number of shareholders holding less than a marketable parcel is 664.

## ASX Additional Informational (continued)

### Shareholdings (as at 14 September 2009) (continued)

*Twenty largest shareholders as at 14 September 2009*

Name	Number of shares held	Percentage of shares held (%)
CBH Resources Ltd	16,194,065	6.28
HSBC Custody Nominees (Aust) Ltd	13,210,913	5.12
ANZ Nominees Ltd	10,446,424	4.05
Mr Warren W Brown and Mrs Marilyn H Brown	9,999,999	3.88
Colbern Fiduciary Nominees Pty Ltd	6,522,408	2.53
Biddle Partners Pty Ltd	6,269,903	2.43
Kensington Consulting Pty Ltd	6,014,063	2.33
Mrs Megan Brouner	5,557,645	2.15
Centre Corporation Pty Ltd	4,163,258	1.61
Bouchi Pty Ltd	4,081,362	1.58
Mr Alistair Wansbone Mackie	4,062,500	1.57
Foreign Dimensions Pty Ltd	2,789,075	1.08
Bond Street Custodians Limited	2,737,907	1.06
Ashton Drilling Services Pty Ltd	2,500,000	0.97
Mr Campbell Smyth	2,500,000	0.97
Teas Nominees Pty Ltd	2,500,000	0.97
Kensington Capital Pty Ltd	2,412,500	0.93
Bracken Services Pty Ltd	2,121,538	0.82
Caxton Street Agencies Pty Ltd	2,000,000	0.78
Kirke Securities Ltd	2,000,000	0.78

The Group holds an interest in the following tenements or tenement applications:

Prospect	Tenements	Equity
<b>Warramunga Project/Rover JV</b>	ELA25581, ELA25582, ELA25587, EL24471, MLC647	Joint Venture
<b>Cawse Extended</b>	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.
<b>Goddard's Copper Prospect</b>	ELA24260	Joint Venture
<b>Kintore East</b>	P16/2370, P16/2371, P16/2372, P16/2373, P162374, P16/2459	Diluting from 49% to 2% gold return interest on production. Current percentage interest is 23.75%.
<b>Manbarrum</b>	A24518, A26581, EL24395, EL25646, EL25470, EL80/3772, EL80/3816	100%
<b>McTavish</b>	M40/77, M40/119, M40/157, P40/1193	3% gross royalty (third party retains a 25% interest in TNG's interest)
<b>Mt Peake</b>	EL23271, EL23074, EL27069, EL27070	100%
<b>Peterman Ranges</b>	ELA26383, ELA25564, ELA26384, ELA25562, ELA26382	Joint Venture

#### Legend

- A:** Authorisation (equivalent or Exploration Licence)
- E:** Exploration
- EL:** Exploration Licence
- ELA:** Exploration Licence Application
- M:** Mining
- MLC:** Mineral Land Council
- P:** Prospecting

## ASX Additional Informational (continued)

### *Unlisted Options*

#### **Unlisted options exercisable @ \$0.50 expiring 31 March 2010**

Total on issue	14,000,000
Number of holders	6
Holder with 20% or more:	
Kensington Consulting Pty Ltd	3,000,000
Hatched Creek Pty Ltd	3,000,000

#### **Unlisted options exercisable @ \$0.38 expiring 31 December 2011**

Total on issue	1,800,000
Number of holders	2
Holder with 20% or more:	
Paul E Burton	1,500,000

#### **Unlisted options exercisable @ \$0.75 expiring 1 November 2009**

Total on issue	200,000
Number of holders	1
Holder with 20% or more:	
Macquarie	200,000

#### **Unlisted options exercisable @ \$0.15 expiring 31 August 2011**

Total on issue	500,000
Number of holders	1
Holder with 20% or more:	
SLR Consulting Pty Ltd	500,000



# TNG<sub>LIMITED</sub>

Annual Report **2009**

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