

TNG<sub>LIMITED</sub>

Annual Report **2008**





# TNG LIMITED

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ABN 12 000 817 023

## **DIRECTORS**

John W Barr (Chairman)  
Neil G Biddle (Managing Director)  
Paul E Burton (Exploration Director)  
Michael P Bowen  
Edward J Fry  
Terence N Smith

## **COMPANY SECRETARIES**

John W Barr  
Simon L Robertson

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## **SHARE REGISTRY**

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## **AUDITORS**

KPMG

## **HOME STOCK EXCHANGE**

Australian Securities Exchange (ASX)  
Code: TNG

## **INTERNATIONAL STOCK EXCHANGE**

Frankfurt Stock Exchange  
Code: HJI



TNG<sub>LIMITED</sub>

## Contents

Review of Operations	2
Corporate Governance Statement	12
Directors' Report	20
Auditor's Independence Declaration	31
Income Statements	32
Balance Sheets	33
Statements of Cash Flows	34
Statements of Changes in Equity	35
Notes to the Financial Statements	37
Directors' Declaration	78
Independent Audit Report	79
ASX Additional Information	81

## Review of Operations

The 2007/08 financial year represented another year of strong corporate and exploration activity for TNG.

### Overview

The Company achieved a number of important milestones during the 2008 financial year despite difficult and volatile global markets which impacted directly on TNG.

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

- Successful 2007 exploration field season completed with results confirming that Manbarrum is emerging as a significant base metal district with 2 deposits now identified.
- Geological model for Manbarrum as a Mississippi Valley Type (MVT) complex comprising multiple pods of mineralisation now confirmed.
- Over 37,000 metres of Diamond and RC drilling completed at the Manbarrum Project resulting in numerous high-grade Zn /Pb mineralisation intersections at the Sandy Creek deposit and the discovery of the Djigitbun deposit.
- A 36 million tonne resource inventory of combined zinc, lead and silver resources has now been defined at the company's 100% owned Manbarrum Project.
- Joint Venture Agreement signed with Western Desert Resources Ltd for portfolio of non-core exploration projects.
- Extensive high-grade hematite outcrop discovered at Legune Prospect, 2km south of the Djigitbun base metal deposit, Manbarrum Project.
- Metallurgical test work is progressing on drill core from the Sandy Creek and Djigitbun deposits, with encouraging results to date. Regional exploration programme in progress.

- Significant widths of magnetite bearing vanadium and titanium mineralisation identified from assaying drill core at the Mt Peake Project. Abundant Magnetite over 100m in Gabbro core with XRF assay results up to 34.5% Fe, high vanadium 0.59% V<sub>2</sub>O<sub>5</sub> and titanium 9.81% TiO<sub>2</sub>.
- Davis Tube Recovery (magnetic separation) results from primary Mount Peake drill core have demonstrated excellent economic potential by significantly upgrading the mineralisation to an average grade of 55% Fe, 1.15% V<sub>2</sub>O<sub>5</sub> and 16% TiO<sub>2</sub>.

The Company remains well placed to focus on the exploration of the Manbarrum Project and its other key assets, although due to current commodity prices the immediate focus will shift from base metals to iron ore and other steel making components.

Most importantly, the year's achievements would not have been possible without the efforts of a highly dedicated consulting and 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 main focus during the past year has been the Manbarrum Project in the Northern Territory (NT) of Australia, while at the same time maintaining its interest in a number of other prospective tenements in both the NT and Western Australia and managing its Joint Venture interests (Figure 1).

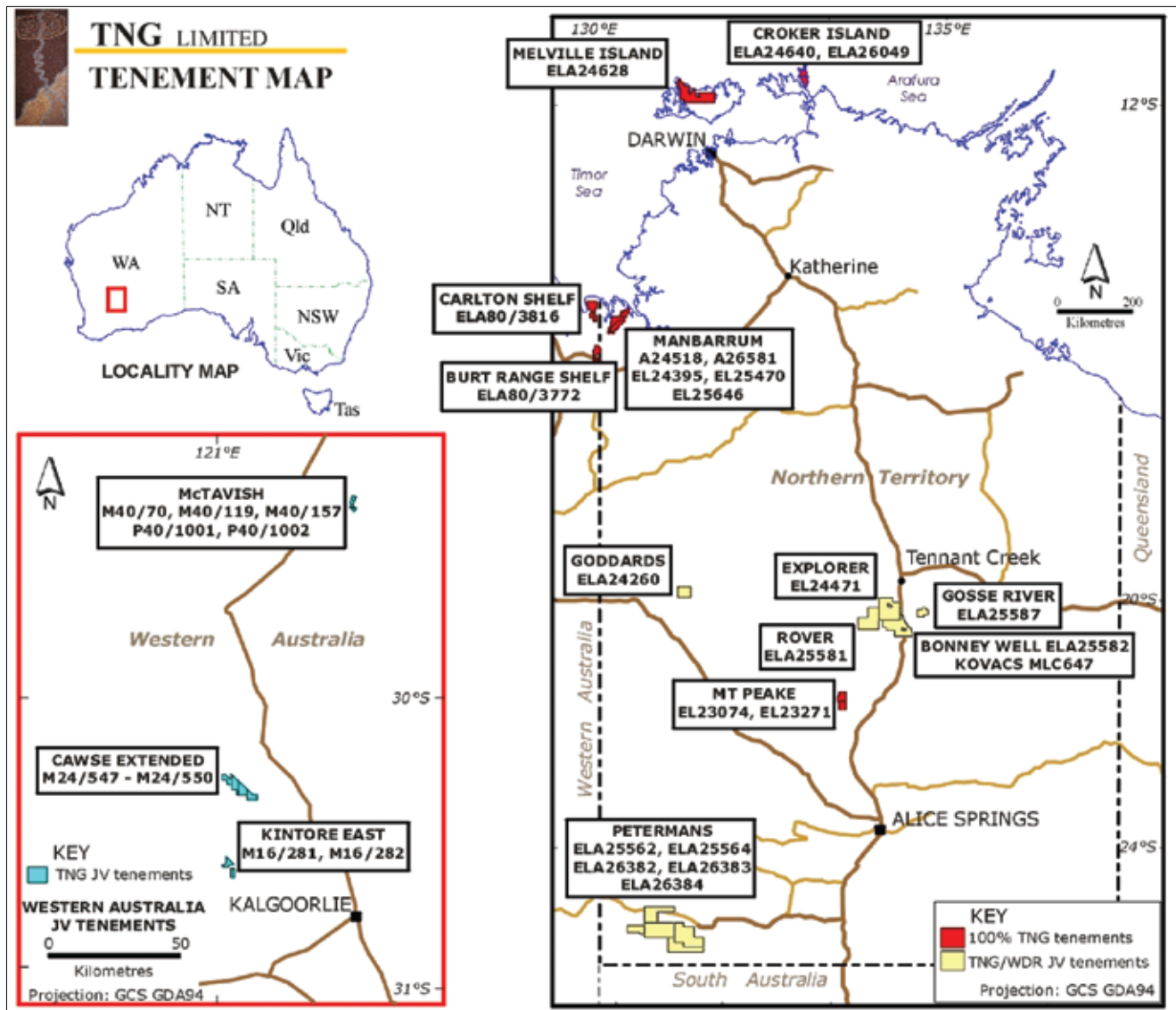


Fig. 1: Tenement Map and area of operations.

**MANBARRUM PROJECT: (TNG 100%)**

The Manbarrum Project is the Company’s flagship exploration project.

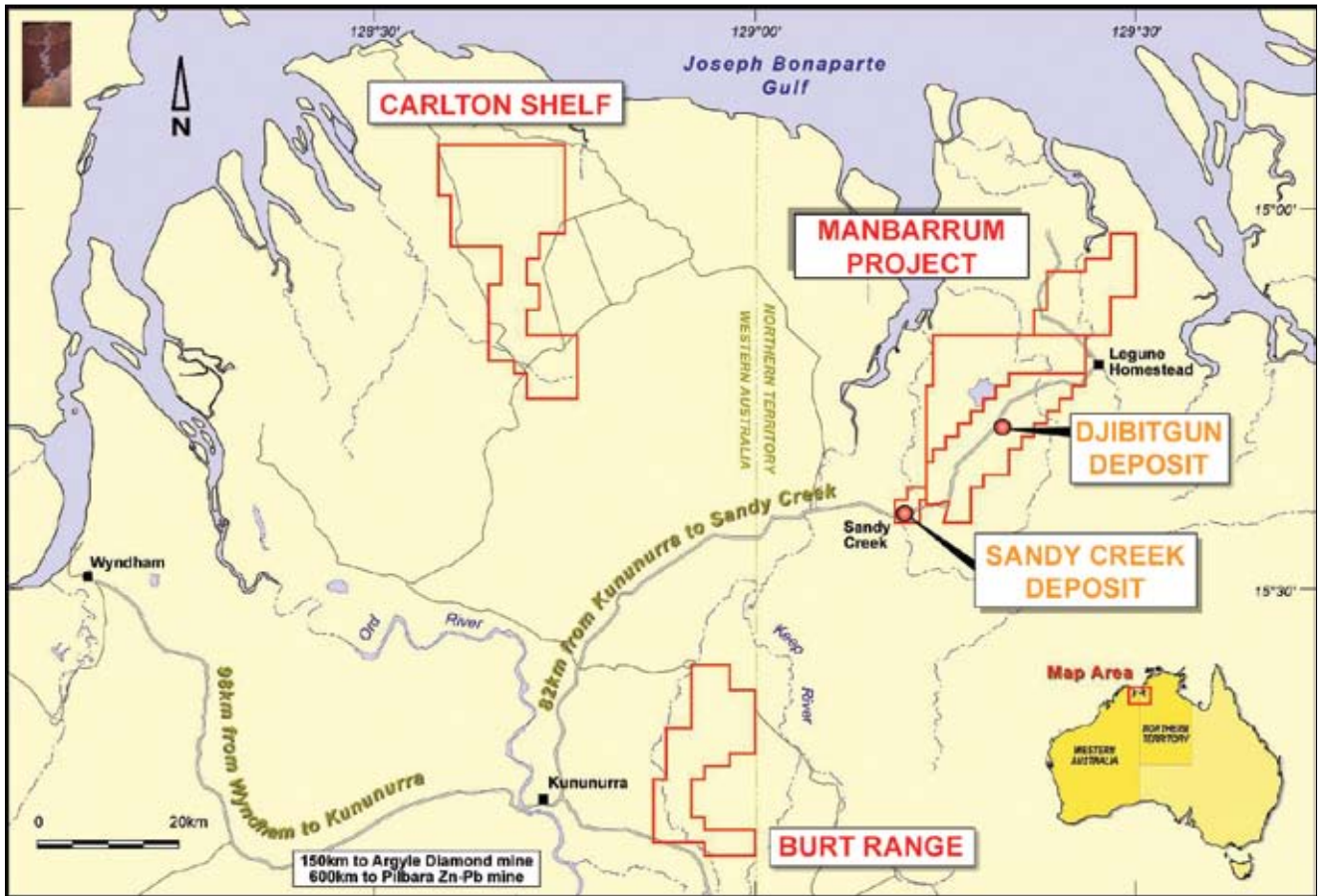


Fig. 2: Manbarrum Project Location.

During the year TNG completed a major exploration programme at Manbarrum with over 37,000 metres of combined RC and Diamond drilling, over 20,000 samples analysed and detailed gravity and Induced Polarisation geophysical surveys completed.

This programme resulted in an updated JORC mineral resource for the Sandy Creek deposit and the discovery of a new mineral resource, the Djibitgun deposit, resulting in a total JORC mineral resource of 36 million tonnes of combined zinc, lead and silver mineralisation. In addition the geophysical surveys have highlighted other priority exploration targets.

Manbarrum is located 82 kilometres north-east of the township of Kununurra. The granted Manbarrum tenements comprise three Exploration Licences and two Authority to Prospect licences (under Section 178) covering a combined area of approximately 600 square kilometres.

TNG has applied for a further two Exploration Licences on the Western Australia side (Figure 2), the Carlton Shelf and

Burt Range areas, which will give comprehensive tenement coverage of the most prospective margins of the Bonaparte Shelf Margin.

The Manbarrum tenements cover a 50 kilometre strike length of the Bonaparte Shelf margin, where widespread Mississippi Valley Type (MVT) Zinc-Lead-Silver mineralisation occurs, and 2 deposits totalling >35mt of combined Zn, Pb Ag have been discovered. High grade haematite mineralisation has also been identified at the Legune Prospect and elsewhere within the tenements confirming the highly prospective nature of the tenement area held by TNG, (Figure 3).

The Company has identified a number of additional geophysical and geochemical targets within its broader tenement area which represent priority exploration targets for further MVT-style mineralisation along strike from the Sandy Creek and Djibitgun deposits, providing confidence that more mineralisation awaits discovery.

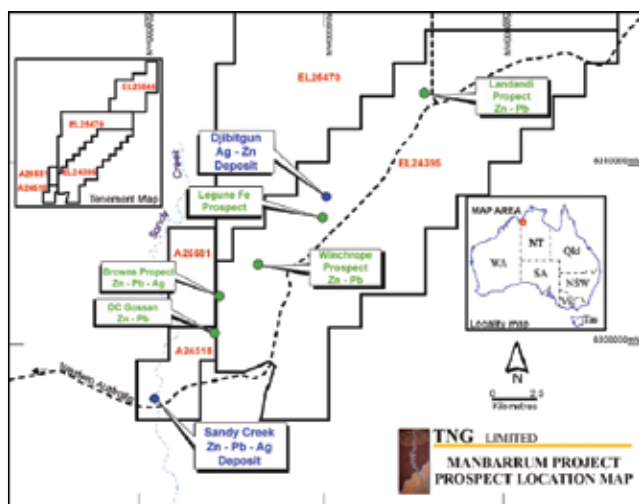


Fig. 3: Manbarrum Zn, Pb, Ag, and Fe Prospect Location.

## GEOLOGY AND MINERALISATION

The Manbarrum Project is located on the eastern margin of the Bonaparte Gulf Basin, where Devonian-Carboniferous marine sediments unconformably overlie 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 and derivative oxide deposits such as the high grade Legune haematite and Djibitgun Zinc-Silver resource.

## EXPLORATION MODEL

TNG's exploration team has confirmed the potential for the Manbarrum Project to host multiple pods of MVT base metal mineralisation of similar scale or larger than the Sandy Creek deposit. Significant derivative oxide deposits have also been identified and present a major exploration target.

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.

## SANDY CREEK DEPOSIT:

JORC Indicated and Inferred Mineral Resource of 15.97mt @ 2.3% Zn+Pb, 5.4g/t Ag)

The Sandy Creek mineral resource comprises sphalerite-galena-pyrite type mineralisation. It is almost exclusively a primary sulphide deposit, although some secondary zinc mineralisation may be present in the supergene zone. No lead sulphates (anglesite) or carbonates (cerrusite) have been observed.

The mineralisation is predominantly 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

Metallurgical test work is progressing with assessment of the recovery of Zn and Pb from primary sulphide mineralisation in the Sandy Creek drill core. Preliminary results to date are encouraging. This work will be reported when finalised.

## Further exploration work

The current Sandy Creek resource excludes the higher grade pipe or lode zones (as reported previously). Further drilling will be oriented to delineate the high grade mineralised trends, to allow inclusion of these into an updated resource estimate.

## DJIBITGUN DEPOSIT:

JORC Inferred Mineral Resource 19.93mt @ 16.4g/t Ag, 0.5% Zn, Internal zone JORC inferred Mineral Resource 6.7mt @ 2.4% Zn+Pb, 14 g/t Ag)

The Djibitgun Mineral Resource is composed predominantly of a broad Zinc and Silver mineralised zone within an oxidized zone of the prospective quartz sandy – carbonate, host to the Sandy Creek Deposit. The mineralisation commences at approximately 30m and extends to 90m. Higher grade zones are evident within the broad mineralised envelope.

## Metallurgical test work

Mineralogical and Metallurgical test work has commenced to evaluate the leaching characteristics of the oxide zinc and silver mineralisation, particularly in the inferred oxide internal resource of 6.7mt @ 2.4% Zn+Pb, 14 g/t Ag. Initial extraction results for Zn and Ag are encouraging, with mineralogical and leach data pending.

**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 quarter.

**LEGUNE HEMATITE PROSPECT**

A reconnaissance rock chip sampling program carried out by the TNG exploration team, resulted in the discovery of **significant high-grade hematite iron mineralisation** from an area known as the **Legune Prospect** (formerly 'Ochre prospect'), 2km south of the Djibitgun Zn/Ag deposit (Figure 3). The discovery was made during routine systematic rock and soil sampling being carried out as part of TNG's 2008 regional exploration programme at the Manbarrum Project targeting under-explored areas of its tenement portfolio.

The discovery – which features **extensive outcropping hematite mineralisation with assays of over 60% Fe** and corresponding low levels of phosphorus and silica (see Tables 1 and 2) – represents an attractive new exploration opportunity.



Plate 1: Hematite outcrop, Legune prospect.

Following agreement with the Traditional Owners, geological reconnaissance traversing, confirmed that the Legune Prospect comprises a low-lying hill with an extensive hematite cap. It is approximately 900 metres in length and 500 metres wide with an unknown depth extent. Two initial rock samples from the main outcrop returned the following assay results from laboratory XRF analysis:

Sample	Fe	SiO <sub>2</sub>	P
Description	%	%	%
501691	61.3	5.73	0.016
PB01	67.1	2.29	0.015

Table 1: XRF Assay Results.

Further geological mapping and portable NITON XRF results confirmed that the iron content of the hematite extends over the entire area and that the outcrop forms part of a large hematite-rich zone. A cliff face on the side of the hill has revealed that the hematite appears continuous over at least a 6 metre vertical section (see photo 1). A 50m x 50m rock sample grid was placed over the entire area and samples submitted for assay. The laboratory results of these samples have confirmed and defined a significant high grade zone of 600m by 400m with potential for the mineralisation to extend beneath a silcrete cap to the west and east.

Negotiations have commenced with the Traditional Owners to gain access for drill testing of the prospect. The drill programme will be planned to test the thickness and depth extent of the hematite mineralisation.

The regional rock and soil programme is continuing.

Sample	North	East	Niton	Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	LOI
			Fe	%	%	%	%	1000
OCH 0005	10 100	10 250	5.6	67.2	2.3	0.7	0.01	0.6
OCH 0017	9 940	10 200	62.1	66.2	3.1	0.9	0.01	0.9
OCH 0160	9 940	9 600	33.9	63.4	5.0	2.1	0.01	1.6
OCH 0140	9 980	9 700	32.7	62.6	6.5	0.9	0.04	1.6
OCH 0007	10 060	10 250	63.5	62.5	2.3	0.3	0.01	7.8
OCH 0008	10 040	10 250	61.8	62.4	3.2	0.9	0.02	6.2
OCH 0144	10 020	9 650	26.1	62.0	5.6	2.3	0.05	2.5
OCH 0156	9 860	9 600	24.0	62.0	4.0	1.7	0.13	4.0
OCH 0009	10 020	10 250	60.1	61.6	4.1	0.5	0.01	7.1
OCH 0022	10 040	10 200	49.7	59.4	8.7	0.5	0.01	5.6
OCH 0015	9 900	10 200	43.1	59.2	8.4	0.6	0.05	5.8
OCH 0061	10 060	10 050	25.0	58.7	6.1	1.7	0.02	2.3

Table 2: Highest XRF Assay results.

## BROWNS AND LANDANDI PROSPECTS

The **Browns**, and **Landandi prospects** were identified from historic surface geochemical soil and rock zinc-lead anomalies.

These prospects are significant as they have coincident IP, gravity and soil zinc anomalism. Interpretations of gravity and seismic data show that these overlie the prospective sandy dolomite in favourable structural settings.

These remain high priority targets for the Company and are considered to represent additional MVT-style base metal signatures.

## OTHER TENEMENTS:

Carlton Shelf Project ELA 80/3816 : Zinc-Lead-Silver  
Burt Range Shelf Project ELA 80/3772: Zinc-Lead-Silver

Both of these projects were strategically selected in light of the broader base metal potential of the Bonaparte Basin and potential extensions of the Manbarrum Project. Granting of these Exploration Licences is anticipated in early 2009.

## MOUNT PEAKE:

Nickel, Magnetite -Vanadium-Titanium (TNG 100%)

The Mount Peake project comprises ELs 23074, 23271 and is located in the Arunta Geological Province, 80 kilometres north east of Alice Springs (Figure 1). Airborne magnetic and electromagnetic surveys have indicated possible ultramafic intrusion hosted nickel targets.

TNG has announced a potential significant new Magnetite-Titanium-Vanadium Prospect following preliminary test work of drill core from diamond hole ARD02. This was drilled by TNG's former joint venture partner on a prominent magnetic feature for Nickel sulphides. The core was not previously cut or sampled.

Initial laboratory assays of the core gave the following results:

9.81% TiO<sub>2</sub>, 0.59% V<sub>2</sub>O<sub>5</sub>, 34.5% Fe  
(drill core from 34m depth)

8.90% TiO<sub>2</sub>, 0.55% V<sub>2</sub>O<sub>5</sub>, 31.2% Fe  
(surface drill spoil ARD02)

Following these encouraging results the remainder of the core was cut, sampled and submitted for assay and Davis Tube Recovery (DTR) test work, in order to determine the recovery of Iron (Fe), Vanadium Pentoxide (V<sub>2</sub>O<sub>5</sub>), and Titanium Oxide (TiO<sub>2</sub>) from magnetic concentrates.

Assay results from this latest work have confirmed that the mineralisation extends for at least 80m from a shallow depth of only 30m:

80m @ 28.7% Fe, 0.43% V<sub>2</sub>O<sub>5</sub>, 7.5% TiO<sub>2</sub> from 31m.

Including:

38m @ 31.2% Fe, 0.49% V<sub>2</sub>O<sub>5</sub>, 8.6% TiO<sub>2</sub> from 46m

10m @ 31.4% Fe, 0.50% V<sub>2</sub>O<sub>5</sub>, 9.13% TiO<sub>2</sub> from 47m

Davis Tube Recovery (magnetic separation) results have given encouraging recoveries (Table 3) and assay of the recovered material has provided significant upgrades to an average of:

56% Fe, 17% TiO<sub>2</sub>, 1.2% V<sub>2</sub>O<sub>5</sub>

Sample ID	Product Weight	Fe	SiO <sub>2</sub>	TiO <sub>2</sub>	V <sub>2</sub> O <sub>5</sub>	LOI	Davis Tube Recovery			
	gms	%	%	%	%	%	Mass %	Fe %	TiO <sub>2</sub> %	V <sub>2</sub> O <sub>5</sub> %
MP 1012 DTR	32.01	50.39	6.70	14.67	1.096	-1.87	33.99	56.43	53.73	76.96
MP 1022 DTR	59.86	55.27	2.16	17.13	1.144	-3.93	42.26	68.64	71.68	86.56
MP 1036 DTR	45.91	54.74	2.67	16.35	1.157	-3.53	35.24	60.75	65.19	81.56
MP 1076 DTR	40.97	55.50	2.47	16.01	1.148	-4.03	28.89	51.86	67.14	80.71
MP 1105 DTR	19.50	56.15	2.73	13.84	1.216	-3.39	14.09	33.25	51.46	81.99

Table 3: Davis Tube Recovery results from selected samples of ARD02 drill core.

It is important to note that these results are from a single drill hole into a very large cohesive magnetic anomaly. The drill hole logging and support from assay results shows that the magnetite mineralisation occurs over 100m in vertical thickness. The magnetic anomaly is several kilometres in strike with a second historic drill hole also recording magnetite – gabbro in the drill log gives encouragement to the continuation of the mineralisation. In width the anomaly varies from 0.5km to 1km.

During July a detailed gravity survey was also completed over the Mt Peake magnetic anomaly area in order to provide additional data prior to further drilling. Interpretation of the data has revealed a significant gravity anomaly immediately adjacent to the east of the main Mt Peake magnetic anomaly with a further large gravity anomaly extending 1km to the NE, with no coincident magnetic anomaly. Hematite mineralisation does not have a magnetic signature but does have a positive gravity signature.

These results and dimensions of the geophysical signature show that the project has the potential to develop as a significant new exploration target for the Company. In addition, the Project is strategically located close to existing infrastructure including the Alice Springs to Darwin Railway and Stuart Highway, 60km to the east, and the new LNG pipeline just 20km to the east.

TNG will proceed to further evaluate the potential of this area to host both Ferro-vanadium-titanium and hematite mineralisation. A drill programme is currently in preparation and subject to clearance authorisations and drill rig availability is planned to commence in October 2008.

## 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 Joint Venture Agreement with Western Desert Resources Ltd ("WDR").

WDR has planned two diamond drill holes on Explorer EL 24471 to target a classical Tennant Creek style magnetic anomaly which will be tested at depth for gold and copper mineralisation.

In addition WDR is progressing with preparations for exploration at ELA 25581. This licence is adjacent to the Rover 1 project where there has been recently reported significant intersections including 65.75m at 11.0 g/t Au, 0.75% Cu and 0.09% Co. Rover 1 is located close to the northwest corner of ELA 25581 and is included in the Rover joint venture with TNG Ltd. Negotiations are currently at an advanced stage with the Traditional Owners of the land for access to this exploration licence. There are a number of high-priority targets within the tenement which have the potential to contain similar mineralisation to that found at Rover 1.

## WESTERN AUSTRALIAN JOINT VENTURE PROJECTS

### McTavish Joint Venture:

TNG 30%, Barmenco 70%

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 McTavish project.

Barmenco have advised that work over the next reporting period is expected to focus on exploratory activities. As tenements M40/77, 119 and 157 are no longer under claim more in depth exploration, specifically of tenements P40/1001, 1002, is considered viable.

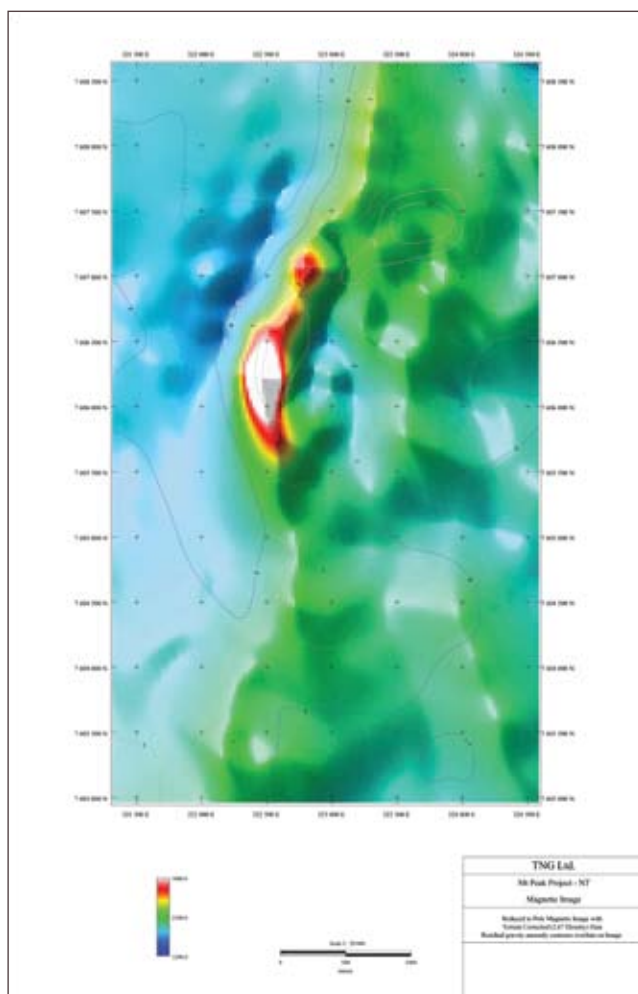


Figure 4: Magnetic image of Mt Peake anomaly.

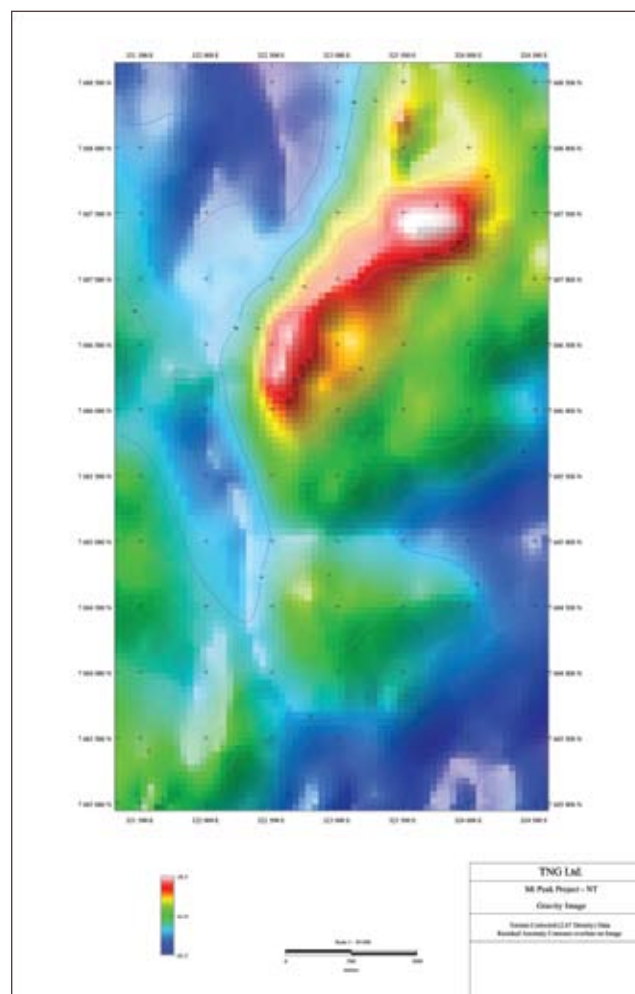


Figure 5: Gravity image of Mt Peake gravity anomaly.

### Kintore East Joint Venture:

TNG 23.95%, Mines and Resources Australia Ltd 76.05%

The reversion of the mining leases occurred in mid April 2008 and has led to the granting of tenements P16/2370 – P16/2374.

MRA have advised that a compilation and review of all historical data will be completed followed by target generation and ranking prior to drilling scheduled for early 2009.

A heritage survey has been planned and will take place in the next quarter. The project area is covered by a single Native Title claim held by the Widji People.

### Cawse Extended Joint Venture

(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.

Four main types of mineralisation have been identified at Cawse. These are the oxide ores of limonite, talc, and siliceous cobalt and the smectite-saprolite ore (locally termed nontronite).

The commercial success of the Cawse nickel operation is dependent in part upon the ability of the principal ore type to be beneficiated. A simple process of rejecting lower grade material on the basis of particle size achieves this. This process, which is called upgrading, enables sub-grade material to become commercial ore grade and also enables higher ore grades to be processed in the early parts of

the operation. The success of the upgrade process is dependent upon the physical and chemical properties of the ore being processed and the nickel grade of the ore.

The upgrade ore type represents >80% of the Cawse nickel resource and is hosted mostly within a limonite unit, represented by goethitic clays in the upper saprolite zone.

The ore is crushed and slurried in the upgrade processing circuit. It is then passed over a series of screens that remove all material over 0.5mm. This ensures that coarse material is removed from the main ore stream. The upgrading process is reliant on selectively rejecting lower grade or barren material, which can include silica, magnesite and relict saprock.

The Company has held meetings with Norilsk on the future project plans. An update on the resource and commencement of mining is awaited from Norilsk.

## Traditional owner policy

### INDIGENOUS RELATIONS 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.



Left to Right : Jimmy Paddy, Teddy Carlton, Maurice Simon, Patrick Bitting.

## Corporate activities

### PLACEMENT AND UNDERWRITING

#### Distributions of shares in investments

Shareholders approved the distribution of shares held in WDR received in return for the sale of WDR of some non-core tenements in the Northern Territory, at a general meeting of shareholders held in September 2007. The 10 million WDR shares were distributed in the ratio of 1 WDR share for every 18.22 TNG shares.

TNG also completed the distribution of securities held in Batavia Mining Ltd and Thor Mining PLC. This was approved by shareholders in 2007.

#### SALE OF NICKEL ASSETS

In 2007 the Directors announced their intention that TNG's nickel assets, primarily being the Cawse Extended Project and Mount Peake Project, form the basis of a new company, to be listed on the ASX via an IPO.

The Board proposed, subject to obtaining the required approvals, to distribute shares in this company to the shareholders of TNG.

TNG sought a determination from the Australian Tax Office (ATO) in respect to this matter. Unfortunately, TNG is currently still awaiting the relevant clearance and the matter cannot be progressed further until it is received.

## SHAREHOLDER MEETINGS

### AGM

The Annual General Meeting was held on Thursday, 7 November 2007.

A further General Meeting of shareholders was held on 11 August 2008 to consider:

1. Authorise execution of Underwriting Agreement
2. Authorise Directors to sub-underwrite Rights Issue
3. Approve placement facility
4. Appoint Mr Paul Burton as Director
5. Section 195 approval.

### 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 has issued cross-claims against several parties in the proceedings.

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.

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 in June 2008, and is currently ongoing.

## SHARE CAPITAL

### Placement

The Company successfully raised \$5m via a placement of shares at \$0.55 to sophisticated investors.

### Rights issue

In August 2008 an underwritten non-renounceable pro rata offer of shares was made to shareholders.

The pro rata offer was based on 1 share for every 4 shares held at an issue price of \$0.06. A total of 48,170,834 shares raising \$2,890,250 were issued.

### Subsequent placement

Due to strong demand for the shortfall from the rights issue the Company completed a private placement on the 1 September 2008. A total of 17,200,934 shares raising \$1,032,056 were issued at \$0.06.

### OPES PRIME MATTER

In April 2008 TNG was informed by the Receiver and Manager on behalf of Opes Prime that approximately 16.5 million shares in TNG were the subject of agreements between Opes Prime and its customers.

No Directors held shares in TNG through an account with Opes Prime.

Subsequently a substantial shareholders notice was lodged, and in May 2008 a cessation substantial holding was lodged.

In July 2008, in accordance with its share registry records it became apparent that a majority of these shares had been sold.

## 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.

The Company's corporate governance practices were in place throughout the year ended 30 June 2008.

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.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	Page 14
2.1	A majority of the Board should be independent Directors.	No	Page 14
2.2	The chairperson should be an independent Director.	No	Page 14
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Yes	Page 14
2.4	The Board should establish a nomination committee.	No	Page 14
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 responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Page 15
3.2	Disclose the policy concerning trading in Company securities by Directors, officers and employees.	Yes	Page 16
4.1	Require the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operating results and are in accordance with the relevant accounting standards.	Yes	Page 17
4.2	The Board should establish an audit committee.	Yes	Page 15
4.3	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 15
4.4	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 management level for that compliance.	Yes	Website
6.1	Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings.	Yes	Website
6.2	Request the external 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.	Yes	Page 17
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 17
7.2	The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) should state to the Board in writing that: <ul style="list-style-type: none"> <li>the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;</li> <li>the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</li> </ul>	Yes	Page 17
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	No	Page 14
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	Page 18
9.2	The Board should establish a remuneration committee.	No	Page 17
9.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.	Yes	Page 18
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	Page 18
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes	Page 19

## 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.

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	Managing Director
Mr Terence Smith	Non-Executive Director
Mr Michael Bowen	Non-Executive Director
Mr Edward Fry	Non-Executive Director
Mr Paul Burton	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 considers that Mr Terence N Smith is an Independent Director in accordance with Recommendation 2.1. Whilst the remainder 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.

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 in 2.2 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
- 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.

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

During the Company's 2007/2008 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	The Board considers that Mr Terence N Smith is an Independent Director in accordance with Recommendation 2.1. Whilst the remainder 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	4.3	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	Non-disclosure of the process of evaluating the Board.	The process for evaluation of the Board, individual Directors and key executives was not disclosed. However, an evaluation of the Board, Directors and key executives does occur on an informal basis by the Chairman at least annually.
9	9.2	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 Group's interest in a jointly controlled entity for the financial year ended 30 June 2008 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 John W Barr was appointed Company Secretary on the 30 May 2008.

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

*Managing Director*

Mr Neil G Biddle was appointed in 1998. He has over 18 years professional and management experience in listed public companies involved in mining and exploration.

During the last four years Mr Biddle has served as a Director of Batavia Mining Limited since 2005 and previously from 2003 to 2004.

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

*Exploration Director*

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 including.

Mr Burton has held no other directorships.

Mr Burton was appointed as an Executive Director on the 11 August 2008.

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

*Non-Executive Director*

Mr Michael P Bowen was appointed in 2004. Mr Bowen is a partner of the law firm Hardy Bowen, practising primarily corporate, and securities, commercial and mining law.

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

- IMF (Australia) Ltd since 2001;
- Medical Corporation Australasia Limited since 2004;
- Vietnam Industrial Investments Limited since 2004.

**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 and Torres Strait Islander Commission and Aboriginal Development Commission.

Mr Fry has held no other directorships.

**Terence N Smith, Dip.Bus, Grad.Cert.Bus***Non-Executive Director*

Mr Terence N Smith was appointed in 2004. He was one of the founding partners of the Smith Coffey Group which has provided taxation, accounting and financial advice to clients in Perth for over 34 years prior to his retirement. He has a wide range of business skills in the areas of financial planning and corporate management. Mr Smith holds directorships in a number of companies in the wine industry.

Mr Smith has served on the Board of Batavia Mining Limited since 2005.

**Damian P Delaney***Chief Financial Officer and Company Secretary*

Mr Delaney resigned as CFO and Company Secretary on 30 May 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	8	7	2	2
Neil G Biddle	8	8	2	-
Paul E Burton	-	-	-	-
Michael P Bowen	8	8	2	2
Edward J Fry	8	8	2	2
Terence N Smith	8	8	2	2

**PRINCIPAL ACTIVITIES**

The principal activities of the Group during the course of the financial year were the significant exploration of its Manbarrum Project; the review of advanced exploration projects for 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 \$2,421,829 (2007:loss \$5,652,091).

A review of the operations during the financial year is set out on pages 2 to 11.

**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 base 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 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 non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board performing the role of the Remuneration Committee 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 fees that can be paid to Directors 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.

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
- Salary - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are paid to Kensington Consulting Pty Ltd for consulting services

#### **Neil G Biddle - Managing Director**

- Term of Agreement – 1998 until terminated by either party
- Salary - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are paid to Hatched Creek Pty Ltd for consulting services

#### **Paul E Burton - Exploration Director**

- Term of Agreement – 22 January 2007 until terminated by either party. Appointed executive Director 11 August 2008
- Salary - \$180,000 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

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

- Term of Agreement – 2004 until terminated by either party
- Salary - \$40,000 per annum excluding super plus any expense incurred
- Additional monies are to paid to Hardy Bowen of which Mr Bowen is a Partner

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

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

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

- Term of Agreement – 2004 until terminated by either party
- Salary - \$40,000 per annum excluding super plus any expense incurred

**Damian P Delaney - Chief Financial Officer and Company Secretary**

- Term of Agreement – 24 October 2005 until terminated by either party. Resigned 30 May 2008
- Salary - \$220,000 per annum excluding super plus any expense incurred
- Early Termination – 3 months written notice or making a payment of 3 months salary in lieu. This applies to any reason other than gross misconduct

**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 2008*

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	2008	166,000	-	3,600	-	169,600	-
	2007	148,833	-	3,225	1,182,000 <sup>1</sup>	1,334,058	89%
Neil G Biddle Managing Director	2008	228,664	-	3,600	-	232,264	-
	2007	331,633	-	3,225	1,182,000 <sup>1</sup>	1,516,858	78%
Michael P Bowen Non-Executive	2008	40,000	-	-	-	40,000	-
	2007	98,091	-	-	788,000 <sup>1</sup>	886,091	89%
Paul E Burton Exploration Director	2008	178,615	-	18,069	144,500 <sup>3</sup>	341,184	42%
	2007	79,615	-	7,165	144,500 <sup>3</sup>	231,280	62%
Edward J Fry Non-Executive	2008	160,000	-	3,600	289,036 <sup>2</sup>	452,636	64%
	2007	93,333	-	2,100	421,500 <sup>2</sup>	516,933	82%
Terence N Smith Non-Executive	2008	40,000	-	3,600	-	43,600	-
	2007	35,833	-	3,225	788,000 <sup>1</sup>	827,058	95%
Total	2008	813,279	-	32,469	289,036	1,134,784	
	2007	787,338	-	18,940	4,506,000	5,312,278	

<sup>1</sup> Options have been valued at \$0.394 per option using the Black-Scholes calculation for June 2007

<sup>2</sup> Options have been valued at \$0.193 per option using the Black-Scholes calculation for November 2007

<sup>3</sup> Options have been valued at \$0.289 per option using the Black-Scholes calculation for the April 2007 issue

## Remuneration of the two named executives who received the highest remuneration for the year ended 30 June 2008

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		\$	\$	\$	\$	\$	%
Damian P Delaney <sup>1</sup> CFO and Company Secretary	2008	102,548	-	21,416	144,500 <sup>3</sup>	268,464	53%
	2007	55,162	-	4,992	94,267 <sup>2</sup>	154,421	61%
Scott Rauschenberger <sup>4</sup> Financial Controller	2008	28,579	-	2,631	-	31,209	-
	2007	-	-	-	-	-	-
<b>Total</b>	2008	131,127	-	24,047	-	155,173	
	2007	56,162	-	4,992	94,267	154,421	

<sup>1</sup> Damian P Delaney was remunerated by TNG Ltd at a current annual salary of \$220,000 and recharged on a pro rata basis to Batavia Mining Ltd and Thor Mining PLC. Resigned 30 May 2008

<sup>2</sup> Options have been valued at \$0.101 per option using the Black-Scholes calculation for the May 2006 issue

<sup>3</sup> Options have been valued at \$0.289 per option using the Black-Scholes calculation for the April 2007 issue

<sup>4</sup> Scott Rauschenberger is remunerated by TNG Ltd at a current annual salary of \$132,500 and recharged on a pro rata basis to Batavia Mining Ltd and Thor Mining PLC. Appointed

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	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
19 June 2007	31 Mar 2010	\$0.394	\$0.50	\$0.760	80.00%	6.48%	Nil
30 Nov 2006	31 Nov 2007	\$0.281	\$0.23	\$0.515	60.00%	6.02%	Nil
5 Apr 2007	31 Dec 2011	\$0.289	\$0.38	\$0.420	80.00%	6.09%	Nil
13 Nov 2007	31 Mar 2010	\$0.193	\$0.49	\$0.400	80.00%	6.71%	Nil

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

During the year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and executives as remuneration:

Director/ Officer	Number of options granted during 2008 <sup>1</sup>	Grant date	Number of options vested during 2008 <sup>1</sup>	Fair value of option at grant date <sup>2</sup>	Exercise price per option	Expiry date of options
Edward J Fry	1,500,000	13 Nov 2007	1,500,000	\$0.193	\$0.49	31 March 2010

<sup>1</sup> 1,500,000 options were exercisable at 13 November 2007.

<sup>2</sup> Options have been valued at \$0.193 per option using the Black-Scholes calculation.

Options granted in the financial year ended 30 June 2008 were approved by shareholders at the Annual General Meeting held 8 November 2007. The options were provided at no cost to the recipients.

All option valuations have been calculated using the Black-Scholes calculation.

No options have been granted since the end of the financial year.

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

During the year the following shares were issued on the exercise of options previously granted as remuneration:

2008	Number of shares	Amount paid \$/share
<b>Directors</b>		
Edward J Fry	1,400,000	\$0.17

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2008 financial year.

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

Details of the vesting profile of the options granted as remuneration to each key management person of the group and each of the five named Company and Group executives are detailed below:

	Options granted			Forfeited in year (a)	Financial years in which grant vests
	Number	Date	% vested in year		
<b>Directors</b>					
Edward J Fry	1,500,000	13 Nov 2007	100%	-	2008
Damian P Delaney	1,500,000	5 April 2007	33.3%	66.6%	2008

a) The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

## 6. Analysis of movements in options - audited

The movement during the reporting period, by value, of options over ordinary shares held by each key management person of the Group and each of the five named Company and Group executives are detailed below:

	Value of options		
	Granted in year (a) \$	Exercised in year (b) \$	Lapsed in year (c) \$
<b>Directors</b>			
Edward J Fry	285,000	421,500	-
Damian P Delaney	-	-	289,036

- (a) The value of the options granted in the year is the fair value of the options calculated at the grant date using the Black-Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.
- (b) The value of the options exercised during the year is calculated as the market price of shares of the Company on the ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- (c) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black-Scholes model with no adjustments for whether the performance criteria have or have not been achieved.

## 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	9,980,000	3,000,000
Neil G Biddle	5,308,280	3,000,000
Paul Burton	600,000	1,500,000
Michael P Bowen	4,081,362	2,000,000
Edward J Fry	2,263,392	1,500,000
Terence N Smith	6,590,887	2,000,000

## Options granted to Directors and officers of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

Directors	Number of options granted	Exercise price	Expiry date
Edward J Fry	1,500,000	\$0.49	31 March 2010

All options were granted during the financial year. No options have been granted since the end of the financial year.

*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	\$0.38	4,100,000 <sup>2</sup>
31 March 2010	\$0.50	14,000,000
1 November 2009	\$0.75	200,000
31 August 2011	\$0.15	500,000

<sup>1</sup> Subsequent to the balance sheet date the exercise prices have been adjusted in accordance with ASX Listing Rule 7.22.3 due to the capital reduction as a result of the distribution of the investments in Batavia Mining Ltd, Thor Mining PLC and Western Desert Resources Ltd.

<sup>2</sup> Includes 500,000 options not yet vested.

**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 Managing Director, the Managing Director 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-Gaejerronng 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 Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. 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 Burton was appointed Director on the 11 July 2008.

**Davis Samuel**

The court hearing in relation to the Davis Samuel case recommenced in Canberra in August 2008, proceedings are still ongoing.

**Rights Issue**

On the 15 August 2008 TNG issued new shares as part of an underwritten pro rata rights issue. The pro rata offer was on the basis of 1 share for every 4 shares held at the record date each at an issue price of \$0.06. The issue of 48,170,734 shares raised \$2,890,250 before costs.

**Private Placement**

Due to strong demand for the shortfall from the rights issue the Company completed a private placement on 1 September 2008. A Total of 17,200,934 shares raising \$1,032,056 were issued at \$0.06.

**NON AUDIT SERVICES**

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

**AUDITOR INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 79 of the financial report and forms part of the Directors' Report for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the Directors.



**John W Barr**  
Chairman

25 September 2008

## 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 2008 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.

  
KPMG

  
J G Robinson  
Partner

Perth

25 September 2008

# Income Statements

For the year ended 30 June 2008

	Note	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
Gain on sale of tenements	15	941,481	-	-	-
Other income	6(a)	-	109,759	-	9,759
<b>Total income</b>		941,481	109,759	-	9,759
Corporate and administration expenses	6(c)	(1,451,930)	(911,829)	(1,279,074)	(655,000)
Employment expenses	6(d)	(1,876,709)	(9,185,602)	(1,830,094)	(9,117,065)
Depreciation and amortisation expenses	6(e)	(308,145)	(263,490)	(134,860)	(113,366)
Impairment loss on subsidiary loan receivable	12	-	-	(57,160)	-
Impairment loss of investment in associates	13	-	(2,965,091)	-	(1,981,926)
Other expenses		(18,436)	(211,683)	-	(106,780)
<b>Results from operating activities</b>		(2,713,739)	(13,427,936)	(3,301,188)	(11,964,378)
Financial income		330,550	7,288,789	330,550	6,289,590
Financial expenses		(38,640)	(11,603)	(2,603)	-
<b>Net financing income</b>	6(b)	291,910	7,277,186	327,947	6,289,590
Share of profit from equity accounting		-	498,660	-	-
<b>Loss before income tax</b>		(2,421,829)	(5,652,091)	(2,973,241)	(5,674,788)
Income tax expense	8	-	-	-	-
<b>Net loss for the year</b>		(2,421,829)	(5,652,091)	(2,973,241)	(5,674,788)
Basic loss per share	9	(1.283)	(4.819)		
Diluted loss per share	9	(1.283)	(4.819)		

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

## Balance Sheets

As at 30 June 2008

	Note	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Current assets</b>					
Cash and cash equivalents	11	4,127,494	9,880,637	4,094,334	9,773,339
Other receivables	12	82,397	281,381	52,648	125,292
Prepayments		47,768	26,486	45,942	23,645
Other investments	13	6,493	50,864	6,493	50,864
<b>Total current assets</b>		<b>4,264,152</b>	<b>10,239,368</b>	<b>4,199,417</b>	<b>9,973,140</b>
<b>Non-current assets</b>					
Other receivables	12	-	-	13,135,596	4,559,064
Other investments	13	208,834	566,663	1,865,157	2,222,986
Plant and equipment	14	1,147,995	1,436,806	212,042	327,078
Exploration and evaluation expenditure	15	16,985,982	9,433,453	-	-
<b>Total non-current assets</b>		<b>18,342,811</b>	<b>11,436,922</b>	<b>15,212,795</b>	<b>7,109,128</b>
<b>Total assets</b>		<b>22,606,963</b>	<b>21,676,290</b>	<b>19,412,212</b>	<b>17,082,268</b>
<b>Current liabilities</b>					
Trade and other payables	16	762,759	1,051,150	399,060	279,592
Provisions	18	26,493	32,850	26,493	32,850
<b>Total current liabilities</b>		<b>789,252</b>	<b>1,084,000</b>	<b>425,553</b>	<b>312,442</b>
<b>Non-current liabilities</b>					
Loans and borrowings	17	480,000	480,000	-	456,876
<b>Total non-current liabilities</b>		<b>480,000</b>	<b>480,000</b>	<b>-</b>	<b>456,876</b>
<b>Total liabilities</b>		<b>1,269,252</b>	<b>1,564,000</b>	<b>425,553</b>	<b>769,318</b>
<b>Net assets</b>		<b>21,337,710</b>	<b>20,112,290</b>	<b>18,986,658</b>	<b>16,312,950</b>
<b>Equity</b>					
Issued capital	19	20,478,198	15,490,639	20,478,198	15,490,639
Reserves		(11,823)	237,246	(11,823)	237,246
Retained earnings		871,335	4,384,405	(1,479,717)	585,065
<b>Total equity</b>		<b>21,337,710</b>	<b>20,112,290</b>	<b>18,986,658</b>	<b>16,312,950</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 2008

	Note	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Cash flows from operating activities</b>					
Cash payments in the course of operations		(2,523,301)	(1,439,476)	(2,037,253)	(1,051,585)
Interest received		379,732	159,457	379,732	161,113
Sale of tenements		-	48,853	-	-
Proceeds from royalties		-	9,877	-	-
<b>Net cash used in operating activities</b>	24	(2,143,569)	(1,221,289)	(1,657,521)	(890,472)
<b>Cash flows from investing activities</b>					
Payments for land and buildings		-	(715,958)	-	-
Proceeds from sale of investments		103,950	-	103,950	-
Net loan to controlled entities		-	-	(9,090,567)	(4,923,067)
Payments for plant and equipment		(37,770)	(872,155)	(19,823)	(332,114)
Payments for investments in associates		-	(173,476)	-	(173,476)
Payments for exploration and evaluation expenditure		(8,624,674)	(3,712,529)	-	-
<b>Net cash used in investing activities</b>		(8,558,494)	(5,474,118)	(9,006,440)	(5,428,657)
<b>Cash flows from financing activities</b>					
Net proceeds on issue of shares and options		4,987,559	12,777,840	4,987,559	12,777,840
Proceeds from loan		-	480,000	-	-
Lease payments		(38,640)	(8,928)	(2,603)	(8,928)
<b>Net cash received from financing activities</b>		5,948,920	13,248,912	4,984,956	12,768,912
<b>Net increase in cash held</b>		(5,753,143)	6,553,505	(5,679,005)	6,449,783
Cash at the beginning of the financial year		9,880,637	3,327,132	9,773,339	3,323,556
<b>Cash at the end of the financial year</b>	11	4,127,494	9,880,637	4,094,334	9,773,339

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 2008

CONSOLIDATED	Issued capital \$	Retained earnings \$	Fair value reserve \$	Foreign currency translation reserves \$	Option reserve	Total \$
<b>At 1 July 2006 (restated)</b>	9,346,022	2,972,423	(158,606)	34,214	1,003,370	13,197,423
Net change in available-for-sale financial assets	-	-	395,852	-	-	395,852
Foreign currency translation reserve	-	-	-	(34,214)	-	(34,214)
Share issue costs	(301,673)	-	-	-	-	(301,673)
Total income and expense recognised directly in equity	(301,673)	-	395,852	(34,214)	-	59,965
Loss for the period	-	(5,652,091)	-	-	-	(5,652,091)
Total recognised directly in equity	-	(5,652,091)	-	-	-	(5,652,091)
Share based payments expense	-	7,064,073	-	-	-	7,064,073
Shares issued	12,179,513	-	-	-	-	12,179,513
Share placement	2,340,000	-	-	-	-	2,340,000
In specie distribution	(9,076,593)	-	-	-	-	(9,076,593)
Options exercised	1,003,370	-	-	-	(1,003,370)	-
<b>At 30 June 2007</b>	15,490,639	4,384,405	237,246	-	-	20,112,290
<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>	20,478,198	871,335	(11,823)	-	-	21,337,710

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

For the year ended 30 June 2008 (continued)

COMPANY	Issued capital \$	Retained earnings \$	Fair value reserve \$	Foreign currency translation reserves \$	Option reserve	Total \$
<b>At 1 July 2006 (restated)</b>	9,346,022	(804,220)	(103,536)	-	1,003,370	9,441,636
Net change in available-for-sale financial assets	-	-	340,782	-	-	340,782
Share issue costs	(301,673)	-	-	-	-	(301,673)
Total income and expense recognised directly in equity	(301,673)	-	340,782	-	-	39,109
Loss for the period	-	(5,674,788)	-	-	-	(5,674,788)
Total recognised directly in equity	-	(5,674,788)	-	-	-	(5,674,788)
Share based payments expense	-	7,064,073	-	-	-	7,064,073
Shares issued	12,179,513	-	-	-	-	12,179,513
Share placement	2,340,000	-	-	-	-	2,340,000
In specie distribution	(9,076,593)	-	-	-	-	(9,076,593)
Options exercised	1,003,370	-	-	-	(1,003,370)	-
<b>At 30 June 2007</b>	15,490,639	585,064	237,246	-	-	16,312,950
<b>At 1 July 2007</b>	15,490,639	585,064	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
Shares issued	-	-	-	-	-	-
Share placement	5,000,000	-	-	-	-	5,000,000
In specie distribution	-	-	-	-	-	-
Options exercised	256,000	-	-	-	-	256,000
<b>At 30 June 2008</b>	20,478,198	(1,479,717)	(11,823)	-	-	18,986,658

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 2008

## 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 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The financial report was authorised for issue by the Directors on 25 September 2008.

The Group is primarily involved in the exploration of its Manbarrum Project; the review of advanced exploration projects for 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

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

# Notes to the Financial Statements

For the year ended 30 June 2008

## 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.

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;
- (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 from, or payable to, the taxation authority.

## Notes to the Financial Statements

For the year ended 30 June 2008

### (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 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.

**(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.

## Notes to the Financial Statements

For the year ended 30 June 2008

### (g) Exploration and evaluation expenditure

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Mining tenements that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Such costs are only carried forward when the rights to tenure of that area of interest are current and either such expenditure is expected to be recouped through the successful development and commercial exploitation of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

The Directors review the carrying value of each area of interest at balance date and exploration expenditure which no longer satisfies the above policy is written off.

AASB 6 Exploration for and Evaluation of Mineral Resources has been applied effective 1 July 2004.

### (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.

#### (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.

**(h) Impairment (continued)**

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.

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.

## Notes to the Financial Statements

For the year ended 30 June 2008

### (j) Employee benefits (continued)

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

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.

### (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 Group's 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.

**(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 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 *Business Combinations* changes the application of acquisitions accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

## Notes to the Financial Statements

For the year ended 30 June 2008

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

- 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 the 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 6). The Group has not yet determined the potential effect of the revised standard on the Group’s financial report.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’s disclosures.
- 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. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’s financial report.
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations* changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group’s financial report.

### 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.

#### 4. DETERMINATION OF FAIR VALUES (continued)

##### *(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.

##### *(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.

##### *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.

##### *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 2008

### 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>2008</b>	<b>2007</b>
Other receivables	12	82,397	281,381
Cash and cash equivalents	11	4,127,494	9,880,637
		4,209,891	10,162,018
		<b>COMPANY</b>	
		<b>Carrying amount</b>	
<b>Note</b>		<b>2008</b>	<b>2007</b>
Loans to controlled entities	12	13,135,596	4,559,064
Other receivables	12	52,648	125,292
		13,188,244	4,684,356

##### *Impairment losses*

None of the Group's and Company's other receivables are past due (2007: 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>2008</b>	<b>2007</b>
Balance at 1 July	12	1,626,203	1,626,203
Impairment loss recognised	12	(1,626,203)	-
Balance at 30 June		-	1,626,203

The impairment loss at 30 June 2008 of \$1,626,203 relates to a intercompany loan with Connaught Mining NL, a 100% owned subsidiary of the parent. The intercompany loan was written off in 2008.

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)

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 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
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
<b>30 June 2007</b>						
Loan and other borrowings	480,000	1,243,839	8,989	8,989	53,928	1,171,993
Trade and other payables	1,051,150	1,051,150	1,051,150	-	-	-
	1,531,150	2,294,989	1,060,139	8,989	53,928	1,171,993
COMPANY	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	-	-	-
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
<b>30 June 2007</b>						
Loan and other borrowings	456,876	456,876	-	-	-	456,876
Trade and other payables	279,592	279,592	279,592	-	-	-
	736,468	736,468	279,592	-	-	456,876

#### 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.

#### 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.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 5. FINANCIAL RISK MANAGEMENT (continued)

*Interest rate risk (continued)*

#### 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 2008	2007	Carrying amount 2008	2007
<b>Variable rate instruments</b>				
Cash and cash equivalents	4,009,811	9,763,637	4,008,651	-
<b>Fixed rate instruments</b>				
Loan and borrowings	(480,000)	(480,000)	-	9,688,399
Cash and cash equivalents	117,683	117,000	85,683	85,000
	(362,317)	(363,000)	85,683	85,000

Financial liabilities consist of an interest bearing loan for \$480,000. This loan is held by a 100% subsidiary TNG (NT) and therefore not presented at company level.

#### 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 equity by \$ 3,623 (2007: \$3,630) and the Company's equity by \$856 (2007: \$850). 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 \$40,098 (2007: \$97,636) and the Company's equity and profit or loss by \$40,086 (2007: \$96,884)

#### Fair value

*Fair values versus carrying amounts*

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

Consolidated	30 JUNE 2008		30 JUNE 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>30 June 2008</b>				
Loans and borrowing	(480,000)	(416,731)	(480,000)	(392,568)
	(480,000)	(416,731)	(480,000)	(392,568)

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

## 5. FINANCIAL RISK MANAGEMENT (continued)

### *Interest rate risk (continued)*

#### **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:

	<u>2008</u>	<u>2007</u>
NAB property loan	9.46%	8.07%

### *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 recognised in the income statement.

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

	<u>30 June 2008</u>	<u>30 June 2007</u>
Listed equities and warrants	215,328	617,527
Total equity investments	<u>215,328</u>	<u>617,527</u>

### **Sensitivity analysis**

The Group's and the Company's available for sale equity investments and warrants held for trading are listed on the Australian Stock Exchange. A 5% increase in prices at 30 June 2008 would have increased equity by \$21,318 (2007: \$61,753) and increased profit and loss by \$649 (2007: \$5,086); an equal change in the opposite direction would have decreased equity by \$21,318 (2007: \$61,753) and decreased profit and loss by \$20,649 (2007: \$19,641). 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.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 6. INCOME AND EXPENSES

	Note	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>(a) Other income</b>					
Gain on sale of motor vehicle		-	9,759	-	9,759
Other income		-	100,000	-	-
<b>Total Income</b>		-	109,759	-	9,759
<b>(b) Net financial income</b>					
Gain on sale of investments	13	-	5,365,674	-	4,363,672
Interest income		379,732	160,615	379,732	163,418
Net gain on disposal of available for sale investment transferred from equity	13	133,350	-	133,350	-
Change in fair value of investments held-for-trading	13	(44,371)	1,762,500	(44,371)	1,762,500
Impairment loss on available for sale investments	13	(138,161)	-	(138,161)	-
Finance income		330,550	7,288,789	330,550	6,289,590
Interest expense		(38,640)	(11,603)	(2,603)	-
Finance expense		(38,640)	(11,603)	(2,603)	-
<b>Net finance income and expense</b>		291,910	7,277,186	327,947	6,289,590
<b>(c) Corporate and administration expenses</b>					
Travel and accommodation		(264,748)	(190,521)	(241,125)	(68,124)
Directors fees		(214,400)	(166,667)	(214,400)	(166,667)
Legal fees		(376,968)	(24,184)	(361,638)	(19,634)
Promotional		(209,372)	(139,314)	(201,334)	(20,977)
Office on-charges		996,251	759,929	996,251	759,929
Contractors and consultancy		(443,244)	(323,394)	(409,244)	(219,073)
Occupancy		(217,831)	(188,174)	(217,831)	(188,174)
Other		(721,618)	(639,504)	(629,753)	(732,280)
<b>Total corporate and administration</b>		(1,451,930)	(911,829)	(1,279,074)	(655,000)

The Company invoiced to Thor Mining PIC and Batavia Mining Ltd \$996,251 (2007:\$759,929) for the reimbursement of office and administration costs during the year.

	Note	CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>(d) Employment expenses</b>					
Wages and salaries		(700,617)	(486,675)	(657,880)	(440,980)
Other associated personnel expenses		(203,170)	(135,672)	(203,170)	(112,830)
Contributions to defined contribution plans		(64,463)	(59,182)	(60,585)	(59,182)
Equity settled share- based payment transaction	25	(908,459)	(8,504,073)	(908,459)	(8,504,073)
Total employment expenses		(1,876,709)	(9,185,602)	(1,830,094)	(9,117,065)
<b>(e) Depreciation and amortisation</b>					
Depreciation of:					
Plant and equipment	14	161,288	127,858	72,282	47,296
Motor vehicle	14	55,562	60,326	-	4,916
Leasehold improvements	14	62,578	61,154	62,578	61,154
Buildings	14	28,717	14,152	-	-
<b>Total depreciation and amortisation</b>		<b>308,145</b>	<b>263,490</b>	<b>134,860</b>	<b>113,366</b>

## 7. AUDITORS' REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Auditors of the Company				
<i>KPMG Australia:</i>				
Audit and review of financial reports	77,070	79,472	77,070	79,472

## Notes to the Financial Statements

For the year ended 30 June 2008

### 8. INCOME TAX

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
A reconciliation between tax expense and pre-tax loss:				
Accounting loss before income tax	(2,421,829)	(5,652,091)	(2,973,241)	(5,674,788)
At the domestic interest tax rate of 30% (2007: 30%)	(726,549)	(1,695,627)	(891,972)	(1,702,436)
Expenditure not allowed for income tax purposes				
Provision for non-recovery of loans	-	-	-	-
Share-based payments	272,537	2,119,222	272,537	2,119,222
Gain on distribution and sale of assets	-	-	-	-
Exploration, evaluation and development expenditure	-	-	-	-
Sundry expenses	-	-	-	-
Other non-deductible	63,505	-	63,505	-
Tax losses not brought to account	390,507	(423,595)	555,930	(416,786)
<b>Income tax expense reported in the income statement</b>	-	-	-	-
<b>Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	15,051,920	7,458,189	15,051,920	7,458,189
Potential tax benefit @ 30%	4,515,576	2,237,457	4,515,576	2,237,457

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of \$4,515,576 (2007: \$2,237,457) 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.

	CONSOLIDATED		COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>8. INCOME TAX (continued)</b>				
<b>Deferred income tax</b>				
<b>Balance Sheet</b>				
Deferred income tax relates to the following:				
<i>Deferred tax liabilities</i>				
Exploration and evaluation assets	4,364,277	2,062,666	-	117
Deferred tax assets used to offset deferred tax liabilities	(4,364,277)	(2,062,666)	-	(117)
	-	-	-	-
<i>Deferred tax assets</i>				
Tax losses presumed from wholly-owned tax consolidated entities	-	-	(2,793,354)	(1,039,262)
Employee benefits	-	(9,855)	-	(9,855)
Loans to subsidiaries	-	-	505,009	-
Deferred tax liabilities used to offset deferred tax assets	4,364,277	2,062,666	-	117
Future income tax benefit not brought to account-	-	-	2,288,345	1,049,000
Tax losses not brought to account	(4,364,277)	(2,052,811)	-	-
	-	-	-	-

*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.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 9. LOSS PER SHARE

The calculation of basic loss per share for the year ended 30 June 2008 was based on the loss attributable to ordinary shareholders of \$2,421,829 (2007: loss \$5,652,091) and a weighted average number of ordinary shares on issue during the year ended 30 June 2008 of 188,736,590 (2007: 117,287,857).

#### Loss attributable to ordinary shareholders

	2008 \$	2007 \$
Loss for the period	(2,421,829)	(5,652,091)
Loss attributable to ordinary shareholders	(2,421,829)	(5,652,091)

#### Weighted average number of ordinary shares

	2008 Numbers	2007 Numbers
Number of ordinary shares at 1 July	182,092,405	100,628,983
Effect of shares issued	6,644,185	16,658,874
Weighted average number of ordinary shares at 30 June	188,736,590	117,287,857

At balance sheet date the following options were not yet exercised:

Options	Exercise date	Exercise price <sup>1</sup>
1,500,000 (unlisted)	31 Dec 2011	\$0.32
2,600,000 (unlisted)	31 Dec 2011	\$0.32
11,500,000 (unlisted)	31 Mar 2010	\$0.49
2,500,000 (unlisted)	31 Mar 2010	\$0.49
200,000 (unlisted)	01 Nov 2009	\$0.75

<sup>1</sup> Subsequent to the balance sheet date the exercise prices have been adjusted in accordance with ASX Listing Rule 722.3 due to the capital reduction as a result of the distribution of the investments in Batavia Mining Ltd, Thor Mining PLC and Western Desert Resources Ltd.

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

### 2008

Since 30 June 2007, the Group had disposed of most of its remaining investments, therefore during the year ended 30 June 2008, the Group operated predominantly in one business segment and in one geographical location. The operations of the Group consists of mineral exploration in Australia.

### 2007

	Exploration \$	Investments \$	Total \$
<b>Primary reporting business segments</b>			
<b>Revenue</b>			
External segment revenue	97,197	5,538,851	5,636,048
<b>Total revenue</b>			5,636,048
<b>Result</b>			
Segment result	(631,305)	(2,967,862)	(3,599,167)
Gain of associates			498,660
Unallocated corporate expenses			(2,551,584)
Loss from ordinary activities before income tax			(5,652,091)
Income tax expense			-
<b>Net profit/(loss)</b>			(5,652,091)
<b>Depreciation and amortisation</b>			
Depreciation	150,124		150,124
Corporate depreciation			113,366
			263,490
<b>Assets</b>			
Segment assets	11,566,052	617,527	12,183,579
Corporate assets			9,492,711
<b>Consolidated total assets</b>			21,676,290
<b>Liabilities</b>			
Segment liabilities	(1,564,000)		(1,564,000)
<b>Consolidated total liabilities</b>			(1,564,000)

## Notes to the Financial Statements

For the year ended 30 June 2008

Note	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>11. CASH AND CASH EQUIVALENTS</b>				
Cash	4,009,811	9,763,637	4,008,651	9,688,339
Bank short term deposits	117,683	117,000	85,683	85,000
	<u>4,127,494</u>	<u>9,880,637</u>	<u>4,094,334</u>	<u>9,773,339</u>
			The bank short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 6.40% at 30 June 2008 (2007: 6.40%).	
<b>12. OTHER RECEIVABLES</b>				
<b>Current</b>				
Other receivables	-	84,413	-	70,022
GST receivables	82,397	196,968	52,648	55,270
	<u>82,397</u>	<u>281,381</u>	<u>52,648</u>	<u>125,292</u>
<b>Non-current</b>				
Other receivables	-	-	-	4,559,064
Loans to controlled entities	-	-	13,135,596	1,626,203
Impairment loss	-	-	-	(1,626,203)
	<u>-</u>	<u>-</u>	<u>13,135,596</u>	<u>4,559,064</u>
<p>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.</p>				
<b>13. OTHER INVESTMENTS</b>				
<b>Current investments</b>				
Financial assets held for trading	6,493	50,864	6,493	50,864
	<u>6,493</u>	<u>50,864</u>	<u>6,493</u>	<u>50,864</u>
<b>Non-current investments</b>				
Investments in controlled entities	23	-	1,656,323	1,656,323
Available-for-sale investments		208,834	208,834	566,663
		<u>208,834</u>	<u>1,865,157</u>	<u>2,222,986</u>

**13. OTHER FINANCIAL ASSETS (continued)****Available-for sale investments**

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

**2008**

<b>Consolidated and Company</b>	<b>Total \$</b>
Balance at 1 July 2007	566,663
Additional investment	106,050
Disposal (i)	(210,000)
Change in fair value	(219,743)
Impairment (ii)	(34,136)
Balance at 30 June 2008	<u>208,834</u>

- (i) During the year, 1,050,000 shares in Thor Mining PLC were sold for \$210,000. The previously recognised fair value gain in equity of \$133,350 has been recycled to the income statement.
- (ii) Impairment loss on shares totalling \$138,161 was recognised in the income statement in 2008 being fair value loss recognised in fair value reserve of \$104,025 in the prior year transferred to the income statement in 2008 and \$34,136 recognised directly in the income statement in 2008.

**2007**

<b>Consolidated</b>	
Balance at 1 July 2006	4,031,953
Purchase	1,000,424
Share of associate profits/(loss)	498,660
Impairment	(2,965,091)
Change in fair value	5,365,674
In-specie distribution	(7,364,957)
Balance at 30 June 2007	<u>566,663</u>

**Company**

Balance at 1 July 2006	4,549,450
Purchase	1,000,424
Impairment	(1,981,926)
Change in fair value	4,363,672
In-specie distribution <sup>1</sup>	(7,364,957)
Balance at 30 June 2007	<u>566,663</u>

<sup>1</sup> At a general meeting in May 2007 TNG received shareholder approval for a capital reduction in the form of a distribution in specie of its holdings in Batavia Mining Ltd and Thor Mining PLC. The effective date of the capital reduction was 29 June 2007.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 13. OTHER FINANCIAL ASSETS (continued)

#### 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") and the Alternative Investment Market ("AIM").

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at 1 July	50,864	-	50,864	-
Change in fair value	(44,371)	1,762,500	(44,371)	1,762,500
In-specie distribution	-	(1,711,636)	-	(1,711,636)
	6,493	50,864	6,493	50,864

### 14. PLANT AND EQUIPMENT

#### Cost

##### *Leasehold improvements*

Balance at 1 July	244,617	22,736	244,617	22,736
Additions	5,762	244,617	5,762	244,617
Disposals	-	(22,736)	-	(22,736)
Balance at 30 June	250,379	244,617	250,379	244,617

##### *Plant and equipment*

Balance at 1 July	695,969	286,763	369,619	278,813
Additions	43,190	409,206	10,751	90,806
Disposals	-	-	-	-
Balance at 30 June	739,159	695,969	380,370	369,619

##### *Motor vehicle*

Balance at 1 July	221,641	38,259	-	38,259
Additions	-	221,641	-	-
Disposals	(65,014)	(38,259)	-	(38,259)
Balance at 30 June	156,627	221,641	-	-

##### *Land and buildings*

Balance at 1 July	715,958	-	-	-
Additions	-	715,958	-	-
Disposals	-	-	-	-
Balance at 30 June	715,958	715,958	-	-

## 14. PLANT AND EQUIPMENT (continued)

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Accumulated Depreciation</b>				
<i>Leasehold improvements</i>				
Balance at 1 July	61,154	22,736	61,154	22,736
Depreciation charge for the year	62,578	61,154	62,578	61,154
Disposal	-	(22,736)	-	(22,736)
Balance at 30 June	123,733	61,154	123,732	61,154
<i>Plant and equipment</i>				
Balance at 1 July	310,663	182,805	226,005	178,708
Depreciation charge for the year	161,288	127,858	72,282	47,296
Disposal	(3,310)	-	(3,312)	-
Balance at 30 June	468,641	310,663	294,975	226,004
<i>Motor vehicle</i>				
Balance at 1 July	55,410	16,049	-	16,049
Depreciation charge for the year	55,561	60,326	-	4,916
Disposal	(32,085)	(20,965)	-	(20,965)
Balance at 30 June	78,886	55,410	-	-
<i>Buildings</i>				
Balance at 1 July	14,152	-	-	-
Depreciation charge for the year	28,717	14,152	-	-
Balance at 30 June	42,869	14,152	-	-
<b>Carrying amounts</b>				
<i>Leasehold improvements</i>				
At 1 July	183,463	-	183,463	-
At 30 June	126,647	183,463	126,647	183,463
<i>Plant and equipment</i>				
At 1 July	385,306	103,958	143,615	100,105
At 30 June	270,518	385,306	85,395	143,615
<i>Motor vehicle</i>				
At 1 July	166,231	22,210	-	22,210
At 30 June	77,741	166,231	-	-
<i>Land and buildings</i>				
At 1 July	701,806	-	-	-
At 30 June	673,089	701,806	-	-
<b>Total</b>	<b>1,147,995</b>	<b>1,436,806</b>	<b>212,042</b>	<b>327,078</b>

## Notes to the Financial Statements

For the year ended 30 June 2008

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>15. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE</b>				
<b>Cost</b>				
Balance At 1 July	9,433,453	5,098,914	-	-
Exploration expenditure	7,552,529	4,334,539	-	-
Balance at 30 June	16,985,982	9,433,453	-	-
Drilling	4,372,070	1,549,108	-	-
Analysis	601,650	161,628	-	-
Sale of tenements	(1,058,519)	-	-	-
Other	3,637,328	2,623,803	-	-
	7,552,529	4,334,539	-	-

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 \$16,985,982 of which \$12,833,400 is attributable to the significant exploration of the consolidated entities Manbarrum project, the balance of the carrying value is a result of the Cawse Extended project.

During 2008 tenements with a carrying value of \$1,058,519 were sold to Western Desert Resources Ltd (WDR) for 10 million ordinary shares in WDR valued at \$0.20 (\$2,000,000). The gain on sale of \$941,481 is reflected in the consolidated income statement. These shares were subsequently distributed to shareholders via an in specie distribution on the 13 of September 2007.

**16. TRADE AND OTHER PAYABLES****Current**

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade payables	156,333	600,523	146,055	104,820
Miriuwung community payment	354,723	-	-	-
Other	251,703	450,627	253,005	174,772
	762,759	1,051,150	399,060	279,592

**17. LOANS AND BORROWINGS****Non-current**

Secured bank loan		480,000	480,000	-	-
Other loans – controlled entities	27(a)	-	-	-	456,876
		480,000	480,000	-	456,876

Terms and debt repayment schedule

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

	CONSOLIDATED					
	30 JUNE 2008			30 JUNE 2007		
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Interest only loan						
- Kununurra	7.28%	2036	480,000	480,000	480,000	480,000

Commencing on the 7 December 2006 the terms of the loan are fixed interest only for a period of 36 months. The loan then reverts to variable rate interest on principal and repayments for the remaining 319 months.

**18. PROVISIONS**

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Employee provisions</b>				
<b>Current</b>				
Balance at 1 July	32,850	22,013	32,850	22,013
Provisions made/used during the year	(6,356)	10,837	(6,356)	10,837
Balance at 30 June	26,493	32,850	26,493	32,850

## Notes to the Financial Statements

For the year ended 30 June 2008

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>19. CAPITAL</b>				
Issued and paid-up share capital	20,478,198	15,490,639	20,478,198	15,490,639

### (a) Movements in shares on issue

	2008		2007	
	Number	\$	Number	\$
Balance at the beginning of year	182,092,405	15,490,639	100,628,983	9,346,022
Share placement	9,090,910	5,000,000	6,000,000	2,340,000
In specie distribution <sup>1</sup>	-	-	-	(9,076,593)
Options exercised	1,500,000	256,000	72,463,422	11,742,883
Shares issued to consultants	-	-	3,000,000	1,440,000
Share issue costs	-	(268,441)	-	(301,673)
Balance at end of year	192,683,315	20,478,198	182,092,405	15,490,639

<sup>1</sup> At a general meeting in May 2007 TNG received shareholder approval for a capital reduction in the form of a distribution in specie of its holdings in Batavia Mining Ltd and Thor Mining PLC. The effective date of the capital reduction was 29 June 2007.

#### 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	
		2008	2007
30 November 2007 (unlisted)	\$0.17	-	1,500,000
31 December 2011 (unlisted)	\$0.32	4,100,000	5,100,000
31 March 2010 (unlisted)	\$0.49	14,000,000	12,500,000
1 November 2009	\$0.75	200,000	-

<sup>1</sup> Subsequent to the balance sheet date the exercise prices have been adjusted in accordance with ASX Listing Rule 722.3 due to the capital reduction as a result of the distribution of the investments in Batavia Mining Ltd, Thor Mining PLC and Western Desert Resources Ltd.

#### Terms and conditions of options

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

**19. CAPITAL (continued)****(c) Dividends**

No dividends were declared or paid during the 2008 financial year.

	THE COMPANY	
	2008	2007
	\$	\$
<b>Dividend franking account</b>		
30% franking credits available to shareholders of TNG for subsequent financial years	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 obligations 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	
	2008	2007	2008	2007
	\$	\$	\$	\$
Exploration commitments payable not provided for in the financial report:				
Within one year	2,521,872	3,298,500	-	-
<i>Operating lease commitments</i>				
Operating lease commitments are payable as follows:				
Within one year	12,288	-	8,388	-
Between one year and 5 years	10,939	-	7,689	-
	23,227	-	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.

# Notes to the Financial Statements

For the year ended 30 June 2008

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>21. CONTINGENT LIABILITIES (continued)</b>				
<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	177,000	117,000	177,000	117,000
<b>Indemnities<sup>1</sup></b>				
Total estimated contingent liabilities	2,323,687	394,000	3,277,000	2,323,687

<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 2008.

<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.

## 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, the Commonwealth claims TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

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

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

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

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. 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.

The court proceedings commenced in June 2008 and are currently ongoing.

## 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>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Income Statement</b>		
<i>Loss before income tax</i>	(1,250,362)	(5,224,623)
<b>Income tax benefit</b>		
<b>Loss after related income tax expense</b>	(1,250,362)	(5,224,623)
<b>Loss</b>	(1,250,362)	(5,224,623)
Retained earnings at beginning of year	4,527,837	2,022,024
Other reserves	(1,153,562)	7,730,436
<b>Retained earnings at end of year</b>	<b>2,123,913</b>	<b>4,527,837</b>
<b>Balance Sheet</b>		
Cash assets	4,095,411	9,774,434
Trade and other receivables	45,942	125,482
Other assets	-	23,645
<b>Total current assets</b>	<b>4,141,353</b>	<b>9,923,561</b>

## Notes to the Financial Statements

For the year ended 30 June 2008

	CONSOLIDATED	
	2008 \$	2007 \$
<b>22. DEED OF CROSS GUARANTEE (continued)</b>		
Other financial assets	15,309,381	6,381,887
Plant and equipment	212,042	327,078
Exploration and evaluation expenditure	3,852,245	3,997,090
<b>Total non-current assets</b>	<b>19,373,667</b>	<b>10,706,055</b>
<b>Total assets</b>	<b>23,515,020</b>	<b>20,629,616</b>
Trade and other payables	395,722	578,290
Provisions	29,831	32,850
<b>Total current liabilities</b>	<b>425,553</b>	<b>611,140</b>
Amounts owing to controlled entity	(51,711)	-
<b>Total non-current liabilities</b>	<b>(51,711)</b>	<b>-</b>
<b>Total liabilities</b>	<b>373,842</b>	<b>611,140</b>
<b>Net assets</b>	<b>21,470,819</b>	<b>20,018,476</b>
Issued capital	21,470,819	15,490,639
Retained earnings	1,670,358	4,527,837
<b>Total equity</b>	<b>23,141,178</b>	<b>20,018,476</b>

### 23. CONSOLIDATED ENTITIES

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
Investments in controlled entities	-	-	2,492,261	2,492,261
Unlisted shares at cost	-	-	(835,938)	(835,938)
Less: impairment	-	-	1,656,323	1,656,323

	Country of Incorporation	2008 % of Ownership	2007 % 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

	CONSOLIDATED		THE COMPANY	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>24. NOTES TO THE STATEMENTS OF CASH FLOWS</b>				
<b>(a) Reconciliation of cash flows from operating activities</b>				
Net loss for the period	(2,421,829)	(5,652,091)	(2,973,241)	(5,674,788)
<i>Add/(less) items classified as investing/ financing activities:</i>				
Gain on sale of tenements	(941,481)	-	-	-
Gain on sale of investments	(88,979)	(7,128,174)	(88,979)	(6,126,172)
Finance Costs	38,640	-	2,603	-
Non-refundable deposit on sale of tenements	-	(50,000)	-	-
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	308,145	263,489	134,860	113,367
Write off of plant and equipment	18,436	-	-	-
Share based payments	908,457	8,504,073	908,457	8,504,073
Impairment in investments	138,161	2,965,091	138,161	1,981,926
Impairment on intercompany loans	-	-	57,160	-
Share of (profit)/loss in associates	-	(498,660)	-	-
Write down in exploration costs	-	12,936	-	-
	(2,040,449)	(1,583,336)	(1,820,979)	(1,201,594)
<b>Change in assets and liabilities:</b>				
Increase/(decrease) in current payables, borrowing and provisions	(103,120)	458,622	163,460	299,915
(Increase)/decrease in current receivables	-	(96,575)	-	11,207
<b>Net cash used in operating activities</b>	(2,143,569)	(1,221,289)	(1,657,521)	(890,472)

## Notes to the Financial Statements

For the year ended 30 June 2008

### 25. EMPLOYEE BENEFITS

	Note	CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Aggregate liability for employee benefits, including on-costs					
<b>Current</b>					
Employee benefits provision	18	26,493	32,850	26,493	32,850

#### Defined contribution superannuation funds

The Group made contributions to the employees' nominated superannuation funds. The amount recognised as an expense was \$59,182 for the financial year ended 30 June 2008 (2007: \$14,782).

#### 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	1,700,000	-	5 April 2007	31 Dec 2011	\$0.38	\$0.289	-
2	1,200,000	1,200,000	5 April 2007	31 Dec 2011	\$0.38	\$0.289	31 Dec 2008
2	1,200,000	1,200,000	5 April 2007	31 Dec 2011	\$0.38	\$0.289	31 Dec 2009
3	10,000,000	-	19 June 2007	31 May 2010	\$0.50	\$0.394	-
4	2,500,000	-	27 June 2007	31 May 2010	\$0.50	\$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	-

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 2008.

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

## 25. EMPLOYEE BENEFITS (continued)

	Note	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Employee expenses</b>					
Share options granted in 2007 equity settled		580,972	8,504,073	580,972	8,504,073
Share options granted in 2008 equity settled		327,487	-	327,487	-
Total expense recognised as employee costs	6(d)	908,459	8,504,073	908,459	8,504,073

	CONSOLIDATED		COMPANY	
	2008 Numbers	2007 Numbers	2008 Numbers	2007 Numbers
<b>Share-based payments</b>				
Employee options granted	2,325,872	4,749,871	5,634,498	2,325,872
Consultant options granted	6,195,977	2,314,202	2,750,020	6,195,977
Total share-based payment	8,521,849	7,064,073	8,384,518	8,521,849

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

Consolidated and Company				
	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at 1 July	\$0.49	19,100,000	\$0.15	14,900,000
Forfeited during the period	\$0.38	(1,000,000)	-	-
Exercised during the period	\$0.17	(1,500,000)	\$0.15	(15,900,000)
Granted during the period	\$0.52	1,700,000	\$0.47	20,100,000
Outstanding during the period	\$0.52	18,300,000	\$0.49	19,100,000
Exercisable at 30 June	\$0.49	15,900,000	\$0.50	14,500,000

The options outstanding at 30 June 2008 have an exercise price in the range of \$0.38 to \$0.75 and a weighted average contractual life of 3.29 years.

Options granted to Directors are disclosed under Note 26.

## Notes to the Financial Statements

For the year ended 30 June 2008

### 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

##### *Directors*

John W Barr	(Chairman)
Neil G Biddle	(Managing Director)
Michael P Bowen	(Non-Executive Director)
Paul E Burton	(Exploration Director)
Edward J Fry	(Non-Executive Director)
Terence N Smith	(Non-Executive Director)

##### *Executives*

Damian P Delaney	(Company Secretary) – resigned 30 May 2008
Scott L Rauschenberger	(Financial Controller) – appointed 19 November 2007

#### (b) Compensation of key management personnel

##### *Compensation by category*

	Note	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
<i>Key Management Personnel</i>					
Short-term		944,405	842,500	944,405	842,500
Post-employment		56,516	23,932	56,516	23,932
Share-based payments		289,036	4,600,267	289,036	4,600,267
		1,289,957	5,466,699	1,289,957	5,466,699

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.

## 26. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (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 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	1,000,000
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.

	Held at 1 July 2006	Granted as remuneration	Other changes <sup>3</sup>	Exercised	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
<b>Directors</b>							
John W Barr	5,099,999	3,000,000	(1,830,999)	(3,269,000)	3,000,000	3,000,000	3,000,000
Neil G Biddle	7,669,642	3,000,000	(1,140,000)	(6,529,642)	3,000,000	3,000,000	3,000,000
Michael P Bowen	2,185,088	2,000,000	-	(2,185,088)	2,000,000	2,000,000	2,000,000
Edward J Fry <sup>1</sup>	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000
Terence N Smith	3,510,087	2,000,000	(260,087)	(3,250,000)	2,000,000	2,000,000	2,000,000
<b>Executives</b>							
Damian P Delaney	1,400,000	1,500,000	-	(1,400,000)	1,500,000	-	-
Paul Burton <sup>2</sup>	-	1,500,000	-	-	1,500,000	500,000	500,000

<sup>1</sup> Resigned 30 September 2005

<sup>2</sup> Resigned 3 January 2006

<sup>3</sup> All other changes during the year were disposals off market at published market rates at the date of the transaction

## Notes to the Financial Statements

For the year ended 30 June 2008

### 26. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

##### *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 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.

	Held at 1 July 2006	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2007
<b>Directors</b>						
John W Barr	8,700,000	500,000	3,269,000	(1,469,000)	120,000	11,120,000
Neil G Biddle	5,761,868	2,790,250	6,529,642	(5,125,135)	400,000	10,356,625
Michael P Bowen	750,002	-	2,185,088	-	330,000	3,265,090
Edward J Fry <sup>1</sup>	-	26,785	-	-	400,000	426,785
Terence N Smith	1,600,000	22,710	3,250,000	-	400,000	5,272,710
<b>Executives</b>						
Damian P Delaney <sup>3</sup>	-	-	1,400,000	-	70,000	1,470,000
Paul Burton <sup>2</sup>	-	-	-	-	-	-

<sup>1</sup> Resigned 30 September 2005

<sup>2</sup> Resigned 3 January 2006

<sup>3</sup> Appointed Company Secretary 4 November 2005

No shares were granted to key management personnel during the reporting period in 2007 and 2008. 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 \$78,735 (2007: \$93,958). Details of the transactions are as follows:

Specified Directors	Transaction	Note	2008 \$	2007 \$
Neil G Biddle	Corporate charters	(i)	26,540	31,700
Michael P Bowen	Legal fees	(ii)	52,195	62,258

(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.

**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	
	2008 \$	2007 \$
Balances with entities in the wholly-owned Group		
Receivable – non current	13,135,596	1,626,203
Provision for non recovery	-	(1,626,203)
	13,135,596	-
Payables – non current	-	(456,876)

## Notes to the Financial Statements

For the year ended 30 June 2008

### 27. NON KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

#### (b) Other related party transactions

The Company invoiced related entities \$996,251 (2007: \$759,929) for the reimbursement of office and administration costs during the year.

#### *Joint venture operations*

The joint venture makes the results of its research and development activities available to the Group as well as to one of the other joint venturers. No amount is paid by any of the venturers. From time to time, to support the activities of the joint venture, the venturers increase their investment in the joint venture.

Joint venture party	Joint venture	Principal activities	Consolidated			
			Interest		Exploration expenditure	
			2008 %	2007 %	2008 \$	2007 \$
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.

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 is yet to be finalised, 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

### *Change of Directorship*

Paul Burton was appointed Director on the 11th July 2008

### *Davis Samuel*

The court hearing in relation to the Davis Samuel case recommenced in August 2008, proceedings are still ongoing.

### *Rights Issue*

On the 15th of August 2008 TNG issued new shares as part of a rights issue. The pro rata offer was on the basis of 1 share for every 4 shares held at the record date each at an issue price of \$0.06. The issue of 48,170,734 shares raised \$2,890,250 before costs.

### *Private Placement*

Due to strong demand for the shortfall from the rights issue the Company completed a private placement on 1 September 2008. A total of 17,200,934 shares raising \$1,032,056 were issued at \$0.06 each.

## Directors' Declaration

1. In the opinion of the directors of TNG Limited (the "Company"):
  - (a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 20 to 27, 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 2008 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) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and
  - (d) 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 controlled entities identified in note 23 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. This declaration is made after receiving the declarations required to be made to Directors by the Chief Executive Officer and the Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

Signed in accordance with the resolution of the Directors:



**John W Barr**  
Chairman

Dated at Perth 25 September 2008

## Independent Audit Report to members of TNG Limited



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

#### Report on the financial reports

We have audited the accompanying financial report of TNG Limited (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary 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, 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)



### **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 2008 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.

### **Report on the remuneration report**

We have audited the Remuneration Report included in pages 25 to 31 of the directors' report for the year ended 30 June 2008. 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 2008, complies with Section 300A of the *Corporations Act 2001*.

  
KPMG

  
J.G. Robinson  
Partner

Perth

25 September 2008

## ASX Additional Information

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

### Shareholdings (as at 22 September 2008)

#### *Substantial shareholders*

Substantial holders in the Company are set out below:

Shareholder	Number	Percentage
HSBC Custody Nominees (Aust) Ltd	21,020,338	8.15%

#### *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	60,445
1,001 – 5,000	1,528,231
5,001 – 10,000	2,990,190
10,001 – 100,000	30,499,754
100,001 and over	177,620,233
	<b>212,698,853</b>

The number of shareholders holding less than a marketable parcel is 430.

*Twenty largest shareholders as at 22 September 2008*

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of shares held (%)</b>
HSBC Custody Nominees (Aust) Ltd	21,020,338	8.15
ANZ Nominees Ltd	10,878,969	4.22
CBH Resources Limited	10,000,000	3.88
CBH Resources Limited	6,194,065	2.40
Biddle Partners Pty Ltd	5,044,843	1.95
Mr Warren W Brown & Mrs M Brown	5,000,000	1.94
WWB Investments Pty Ltd	4,999,999	1.94
Mrs Megan Brouwer	4,525,000	1.75
Mr Terry Lillis	4,163,258	1.61
Bouchi Pty Ltd	4,081,362	1.58
Mr Alistair Wansbone Mackie	4,062,500	1.57
Colbern Fiduciary Nominees Pty Ltd	3,411,731	1.32
Kensington Consulting Pty Ltd	3,121,563	1.21
Bracken Services Pty Ltd	3,000,000	1.16
Shared Portfolio Strategy Pty Ltd	3,000,000	1.16
Foreign Dimensions Pty Ltd	2,789,075	1.08
Ms Carlene Kendall Walker	2,750,000	1.07
Bond Street Custodians Limited	2,737,907	1.06
Ashton Drilling Services Pty Ltd	2,500,000	0.97
Teas Nominees Pty Ltd	2,500,000	0.97

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

Prospect	Tenements	Equity
<b>Warramunga Project</b>	ELA25581, ELA25582, ELA25587, EL24471, MLC647	Joint Venture
<b>Burt Range Shelf</b>	E80/3772 (Application)	100%
<b>Carlton Shelf</b>	E80/3816 (Application)	100%
<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>Croker Island Project</b>	ELA24640, ELA26049	100%
<b>Goddard's Copper Prospect</b>	ELA24260	Joint Venture
<b>Kintore East</b>	P16/2370, P16/2371, P16/2372, P16/2373, P16/2374, P16/2459	Diluting from 49% to 2% gold return interest on production. Current percentage interest is 23.75%.
<b>Manbarrum</b>	A24518, EL24395, EL25646, EL25470	100%
<b>McTavish</b>	M40/77, M40/119, M40/157, M40/194, M40/1001, M40/1002	3% gross royalty (third party retains a 25% interest in TNG's interest)
<b>Melville Island Bauxite Project</b>	ELA24628	100%
<b>Mt Peake</b>	EL23271, EL23074	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

*Unlisted options*

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

Total on issue	14,500,000
Number of holders	8
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	4,100,000
Number of holders	5
Holder with 20% or more:	
Paul E Burton	1,500,000
Simon Dorling	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