

**TNG** LIMITED

**HALF-YEAR  
FINANCIAL REPORT**

**31 December 2010**

ABN 12 000 817 023

# **TNG Limited and its controlled entities**

## **Half Year Financial Report**

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### **Corporate Information**

#### **Directors**

Paul Burton (Chief Executive Officer)  
Neil Biddle (Non-Executive Director)  
Stuart Crow (Non-Executive Director)

#### **Company Secretary**

Simon L Robertson

#### **Registered Office**

Level 1  
282 Rokeby Road  
Subiaco WA 6008  
Telephone: (08) 9327 0900  
Facsimile: (08) 9327 0901

Website: [www.tnqltd.com.au](http://www.tnqltd.com.au)  
Email: [corporate@tnqltd.com.au](mailto:corporate@tnqltd.com.au)

#### **Auditor**

KPMG  
235 St Georges Tce  
Perth WA 6000

#### **Share Registry**

Computershare Investor Services Pty Limited  
Level 2  
45 St George's Terrace  
Perth WA 6000  
Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

#### **Stock Exchanges**

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

## Directors' Report

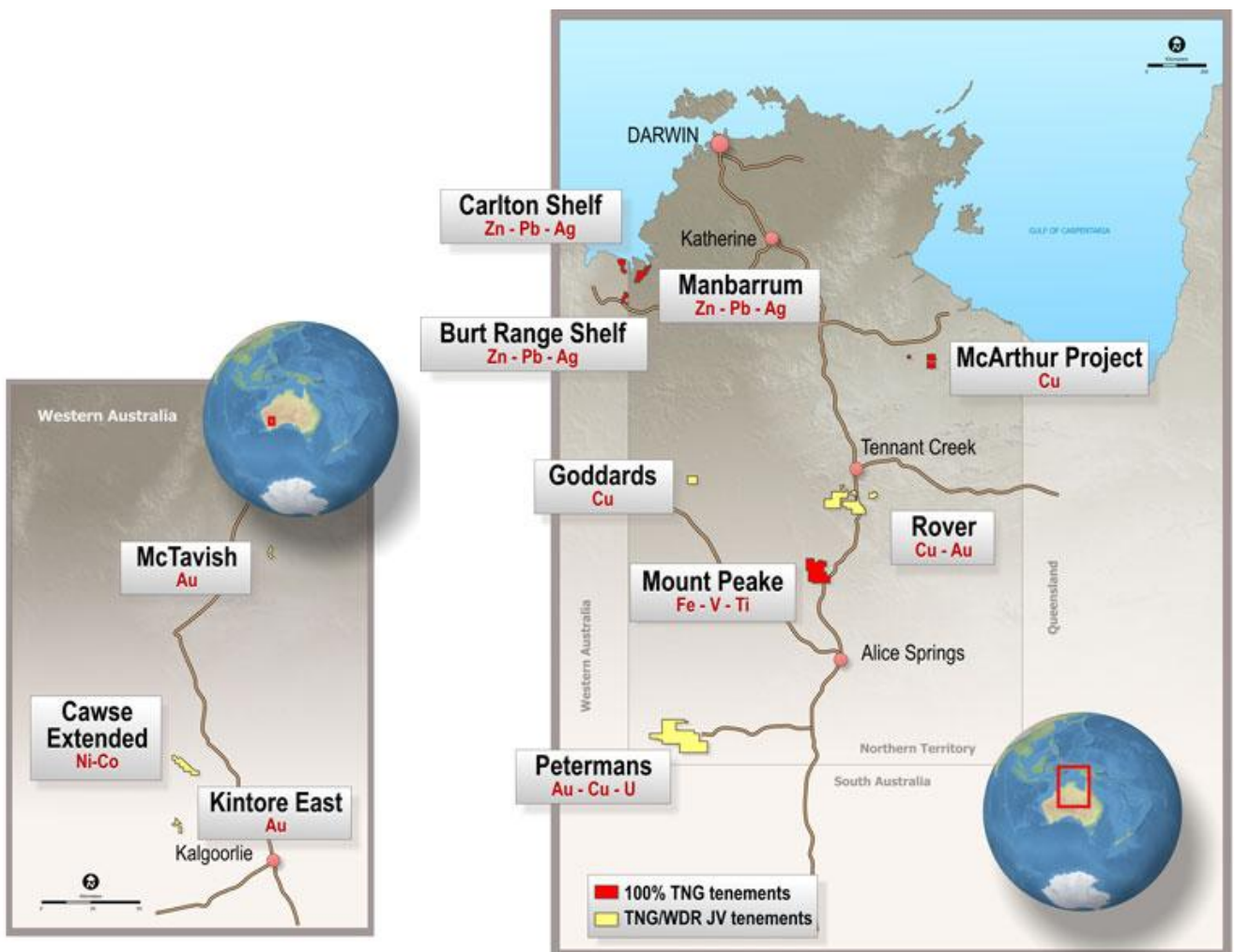
The Directors present their report together with the consolidated financial report for the half year ended 31 December 2010 and the independent review report thereon.

### Directors

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

Paul Burton	(Chief Executive Officer)	
Neil Biddle	(Non-Executive Director)	
Stuart Crow	(Non-Executive Director)	Appointed 24 February 2011
John Barr	(Chairman)	Resigned 24 February 2011
Edward Fry	(Non-Executive Director)	Resigned 24 February 2011

### TNG Operations



**Figure 1:** TNG Limited Tenement Map

## **TNG Limited and Controlled Entities Half-Year Financial Report**

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### **SUMMARY**

The Company's exploration focus during the first half of the financial year remained on the 100%-owned Mount Peake Iron-Vanadium Project in the Northern Territory.

Results from the new Scoping Study at Mount Peake were very positive and have provided the Company with the impetus to progress the Project to a Feasibility Study. In addition, the new metallurgical process developed by TNG and its representative metallurgical consultants, Mineral Engineering Technical Services Pty Ltd ("METS"), has provided the Company with a significant competitive advantage to progress through to production. Discussions have also continued with interested Asian companies with a view to progressing the Project to development.

The Company also concluded a Joint Venture on its Manbarrum Base Metals Project in the Northern Territory with Kimberley Metals Ltd (KBL). This represents a significant step forward for this Project as combining the resources owned by the two companies provides the best opportunity for potential future production.

In addition, new Exploration Licences were acquired in the Northern Territory covering highly prospective areas for copper with historic results of >30% Cu. These represent a significant addition to the Company's Northern Territory minerals portfolio.

TNG plans to accelerate its copper exploration activities this year, alongside its plans to rapidly progress both the Mount Peake Iron-Vanadium Project and the newly-developed hydrometallurgical process for titanomagnetite vanadium ores.

### **PROJECTS**

#### **Mount Peake Project: Iron – Vanadium – Titanium: TNG 100%**

The Mount Peake project area is located in the Northern Territory and covers a highly prospective, but poorly explored part of the Western Arunta geological province. The area is prospective for Iron-Vanadium-Titanium and also for Nickel-Copper.

##### *Resource:*

The Mount Peake Project currently has a JORC Inferred Resource estimate of 139Mt @ 0.29% V<sub>2</sub>O<sub>5</sub>, 5.34% TiO<sub>2</sub> and 23.66% Fe. Metallurgical test work has shown the ore upgrades via a standard magnetic process to 1.2% V<sub>2</sub>O<sub>5</sub>, 17% TiO<sub>2</sub> and 55% Fe.

##### *New Metallurgical Process:*

The Mount Peake Vanadium Project received a major boost during 2010 following the successful development of a new metallurgical process suitable for extracting all three key commodities from the ore.

The new process, which has been jointly developed with METS, has for the first time using hydrometallurgy successfully extracted the valuable metal units of vanadium, titanium and iron from the titanomagnetite ores which make up most of Australia's known vanadium deposits. This represents a major step forward for the Mount Peake Project. TNG and METS have submitted a joint Patent Application to protect the invention and allow commercialisation at a later date.

##### *Scoping Study:*

A positive Scoping Study on the Mount Peake Vanadium Project has been completed by Snowden Mining Industry Consultants. This Study confirms the Project's technical and financial strength driven by the development of the new patented hydrometallurgical process. This hydrometallurgical process recovers calcined vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>), titanium dioxide (TiO<sub>2</sub>) and iron oxide (Fe<sub>2</sub>O<sub>3</sub>) concentrate.

Preliminary optimisations and financial modeling indicates robust economics and returns with an average annual nett cash flow after CAPEX<sup>2</sup> exceeding \$148 million over a 24 year mine life. The financial modelling is based on a production rate of 2Mtpa ramping up after three years to 5Mtpa.

The updated Scoping Study was based on the revised JORC Inferred Resource for Mount Peake published in 2010 of 139.1Mt @ 0.29% V<sub>2</sub>O<sub>5</sub>, 5.34% TiO<sub>2</sub> and 23.66% Fe. In addition to this resource, TNG has published an Exploration Target<sup>1</sup> of 500-700Mt grading 0.2-0.4% V<sub>2</sub>O<sub>5</sub> and 25-35% Fe.

## **TNG Limited and Controlled Entities**

### **Half-Year Financial Report**

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Open pit optimizations were performed based on a 5Mtpa operation, with production commencing at 2Mtpa and ramping up after three years to the long-term processing rate of 5Mtpa.

The initial plant total CAPEX included in the modelling has been estimated by METS to be \$370M, with a +/- 35% accuracy. This would be expanded to 5Mtpa capacity at an additional estimated total CAPEX of \$307M after three years, partially funded by cash flow.

Concentrate product would be trucked to a conceptual railhead near Barrow Creek on the Alice Springs-to-Darwin railway line (approximately 70km) and then railed to Darwin (approximately 1,180km) for shipping.

The Company is now evaluating feasibility and pilot plant options

<sup>1</sup> *The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resources.*

<sup>2</sup> *Estimate of Capital costs supplied by METS include both direct and Indirect costs (at a Scoping Level Study of +/-35%).*

#### *Ongoing Exploration:*

A copper gossan has been discovered at Mt Peake. The copper gossan was located during a geological mapping programme. The gossan contains abundant malachite ( $\text{Cu}_2\text{CO}_3(\text{OH})_2$  – copper oxide) and other copper sulphide minerals within a quartz and ferruginous zone of an ultramafic outcrop.

Initial Niton XRF results returned assays in the range of 4-24% Cu and subsequent assaying returned values of up to 6.07% Cu.

Exploration plans are in place to define the extent of the copper mineralisation at Mount Peake.

#### **McArthur River Project: Copper: TNG 100%**

##### *McArthur – EL 27711*

The McArthur River tenement, which is located approximately 50km south of McArthur township along the Tablelands Highway, covers part of the prospective McArthur Basin geology, 65km south-west of the McArthur Zinc mine. The licence has two major copper targets – Kilgour Crossing and Donkey Yard, both of which have been explored intermittently over the past 50 years.

The tenement includes numerous other prospective copper targets identified from previous stream sampling results and prospective geology.

##### *Black Springs – EL 28503*

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

##### *Yah Yah – EL 28509*

The Yah Yah tenement, located approximately 50km south-west of the McArthur township, contains the historical Yah Yah copper mine, which produced some 40 tonnes of hand-picked, high-grade copper (20-30% Cu) ore prior to 1912.

A grab sample collected from a Yah Yah waste dump by CRA Exploration assayed 30.4% Cu. In addition, BHP completed a soil survey which returned best results of up to 562ppm Cu from a 300m wide zone over the old structure.

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

## **TNG Limited and Controlled Entities Half-Year Financial Report**

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### **JOINT VENTURE PROJECTS**

#### **Sorby Hills Joint Venture. (SHJV) Joint Venture Manbarrum Project: Zinc-Lead-Silver, Iron-Ore**

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

TNG Limited has signed a Joint Venture Agreement on the Manbarrum Project with the Sorby Hills Joint Venture ("SHJV"). The SHJV is a Joint Venture between ASX-listed Kimberley Metals Limited (ASX: KBL) and Yuguang (Australia) Pty Ltd, a subsidiary of China's largest lead producer, Hunan Yuguang Gold & Lead Co Ltd.

#### **Western Desert Resources Ltd. (WDR) Joint Venture Rover Joint Venture: EL 25581, 24471**

*TNG 100%, (WDR initially earning in to 51% with the ability to earn 80%)*

WDR has a farm-in agreement with TNG over two granted exploration licences (EL24471 and EL25581). The agreement requires WDR to spend \$500,000 to earn a 51% interest in the tenements.

WDR should complete the initial spend shortly. WDR can then elect to spend an additional \$850,000 over 30 months to earn a further 29% share for a total 80% interest in the tenements.

Reverse Circulation drilling was undertaken to test eight magnetic targets. Studies undertaken on the drill core indicate that the rocks are definitely of volcanic origin and form part of the Flynn Subgroup.

Some reconnaissance rock chip sampling of the Cambrian sequence for phosphate was carried out over the Explorer EL 24471, however this was not very successful due to a combination of poor outcrop, limited access and heavy vegetation cover due to recent heavy rains.

The prospective Montejinni Limestone was only found to outcrop in one area and samples from this locality reported elevated phosphate values. Evaluation of the phosphate potential of the region is continuing.

### **MINING PROJECTS**

*Cawse Extended JV: Nickel, TNG 20% free carried, Norilsk 80%*

Norilsk Nickel Australia has advised it has placed the Cawse Nickel operations (100% Norilsk) on indefinite care and maintenance which will delay any recommencement of mining operations at Cawse Extended.

The previous independent valuation and the recent increase in the price of nickel give management confidence in the carrying value of Cawse Extended (\$1.253 million). The independent valuation was based on the agreement with Norilsk Nickel Australia.

### **CORPORATE**

#### **Davis Samuel**

TNG is a party to proceedings instituted by the Commonwealth of Australia in the Supreme Court of the Australian Capital Territory. In November 2009 TNG advised that certain of the other defendants had sought to have the case re-opened. The submissions to re-open were heard on 9 November 2009 and 5 February 2010. The Commonwealth and TNG opposed the application to reopen. The court reserved its decision.

The TNG Directors now believe that a decision in respect to the Davis Samuel matter is not expected until late in 2011.

#### **Financial Position**

The group recognised a net loss after tax for the half-year of \$107,006 (half-year ended 31 December 2009: profit of \$469,677). At 31 December 2010 TNG had cash reserves of \$2,047,386 (31 December 2009: \$3,684,838)

## **TNG Limited and Controlled Entities Half-Year Financial Report**

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### **AGM**

The Annual General Meeting of the Company was held on 10 November 2010.

### **Subsequent events**

On 7 February 2011, TNG released a positive scoping study on its 100% owned Mount Peake Vanadium project. The company is now evaluating feasibility and pilot plant options.

On 9 February 2011, TNG advised that it had signed a Joint Venture Agreement on its Manbarrum Zinc-Lead-Silver Project in the Northern Territory with the Sorby Hills Joint Venture ("SHJV"). Under the terms of the agreement TNG will receive an initial payment of \$0.5 million along with a final payment of \$2 million in December 2013 should the SHJV complete the earn-in.

To complete the earn-in the SHJV must spend a further \$2m on exploration at Manbarrum over the next 3 field seasons. This equates to a total spend of \$4.5 million for the SHJV to acquire a 51% interest in the project. On completion of earn-in a formal Joint Venture will be formed between TNG and SHJV for the ongoing development of the Manbarrum Project, with TNG retaining a 49% stake.

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

On 17 February 2011 TNG issued 5 million \$0.15 options to consultants. It also announced that it had received the initial payment of \$500,000 under its Joint Venture Heads of Agreement on the Manbarrum Zinc-Lead-Silver Project in the Northern Territory.

On 24 February 2011 Mr John W Barr and Mr Edward J Fry resigned as Directors of TNG. Following the changes, Mr Stuart Crow was appointed to the board as non- executive director.

On 28 February TNG signed a non-binding MOU with a major Chinese state owned engineering and development company to establish a strategic development partnership for Mount Peak.

Under the agreement TNG has granted exclusivity to the group for a period of 45 days to assess the Scoping Study and other project information. Subject to a satisfactory review the parties have agreed to then consider future participation in the Mount Peak project encompassing additional agreements which include:

- Off-take on the iron and vanadium products;
- EPC/EPCM (engineering, procurement and construction/engineering procurement, construction and management) works;
- Project finance.

On 7 March 2011 TNG announced it had completed a \$2,777,279 capital raising placing 25,247,999 shares at \$0.11 to sophisticated investors.

### **COMPETENT PERSON STATEMENT**

The information in this report that relates to Exploration Results is based on information compiled by Paul Burton who is a Member of The Australasian Institute of Mining and Metallurgy, an employee and Director of TNG Limited. Paul Burton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Burton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Damian Connelly, MAAusIMM, Chartered Processional (MET), MMICA, MSME, MSAIMM was responsible for the preparation of the metallurgical test work results reported herein. Mr Connelly has sufficient experience to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of the Exploration Results, Mineral Resources and Ore Reserves'. Mr Connelly consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Michael Andrew who is a Member of The Australasian Institute of Mining and Metallurgy and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Michael Andrew has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Michael Andrew consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**TNG Limited and Controlled Entities  
Half-Year Financial Report**

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

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the Directors

A handwritten signature in black ink, appearing to read 'P. E. Burton', with a stylized flourish at the end.

Paul E Burton  
Directors

8 March 2011



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

To: the directors of TNG Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

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

*KPMG*

KPMG

*Denise McComish*

Denise McComish  
*Partner*

Perth

*8* March 2011

**Condensed Consolidated Interim Statement of Comprehensive Income**  
**For the six months ended 31 December 2010**

	<b>2010</b>	<b>2009</b>
	\$	\$
Gain on sale of tenements	-	1,315,292
Other income	335,097	578,142
<b>Total income</b>	<u>335,097</u>	<u>1,893,434</u>
Occupancy expenses	(127,672)	(109,914)
Administrative expenses	(138,393)	(80,419)
Employment expense	(348,613)	(219,768)
Corporate expenses	(564,923)	(587,470)
Depreciation and amortisation expense	(16,157)	(70,578)
Share based payment expense for consultants/employees	(16,790)	(423,908)
Other expenses	-	(22,840)
Change in fair value of investments held for trading	2,045	12,784
<b>Results from operating activities</b>	<u>(875,406)</u>	<u>391,321</u>
Financial income	58,574	78,374
Financial expense	-	(18)
<b>Net financing income</b>	<u>58,574</u>	<u>78,356</u>
<b>Profit/(loss) before income tax</b>	<u>(816,832)</u>	<u>469,677</u>
Income tax (expense)/benefit	6 709,826	-
<b>Profit/(loss) for the period</b>	<u>(107,006)</u>	<u>469,677</u>
<b>Other comprehensive income</b>		
Net change in the fair value of available for sale financial assets	84,955	222,499
<b>Other comprehensive income for the period</b>	<u>84,955</u>	<u>222,499</u>
<b>Total comprehensive income/(loss) for the period</b>	<u>(22,051)</u>	<u>692,176</u>
<b>Profit/(loss) per share (cents per share)</b>		
Basic and diluted profit/(loss) per share	(0.041)	0.182

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to the consolidated interim financial statements.

## Condensed Consolidated Interim Statement of Financial Position As at 31 December 2010

	Note	31 December 2010	30 June 2010
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents		2,047,386	2,907,429
Other receivables		315,841	258,044
Prepayments		35,205	38,363
Other investments		893,011	769,601
<b>Total current assets</b>		3,291,443	3,973,437
<b>Non-Current Assets</b>			
Plant and equipment		87,555	79,911
Exploration and evaluation expenditure	7	9,326,335	8,814,265
<b>Total non-current assets</b>		9,413,890	8,894,176
<b>Total assets</b>		12,705,333	12,867,613
<b>Current Liabilities</b>			
Trade and other payables		343,881	517,568
Provisions		83,993	67,325
<b>Total current liabilities</b>		427,874	584,893
<b>Total liabilities</b>		427,874	584,893
<b>Net assets</b>		12,277,459	12,282,720
<b>Equity</b>			
Issued capital	8	24,308,487	24,308,487
Reserves		419,299	334,344
Retained earnings		(12,450,327)	(12,360,111)
<b>Total equity</b>		12,277,459	12,282,720

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to the consolidated interim financial statements.

## Condensed Consolidated Interim Cash Flow Statement

### For the six months ended 31 December 2010

	2010	2009
	\$	\$
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	277,205	177,606
Cash paid to suppliers and employees	(1,259,967)	(983,685)
Interest received	57,082	75,551
Income tax received	673,417	289,395
<b>Net cash used in operating activities</b>	(252,263)	(441,133)
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(583,979)	(1,544,506)
Payments for plant and equipment	(23,801)	-
Proceeds from sale of tenements	-	840,000
Capital returns from investments	-	60,682
<b>Net cash used in investing activities</b>	(607,780)	(643,824)
<b>Cash flows from financing activities</b>		
Finance lease payments	-	(16)
<b>Net cash received from financing activities</b>	-	(16)
<b>Net decrease in cash and cash equivalents</b>	(860,043)	(1,084,973)
Cash and cash equivalents at 1 July	2,907,429	4,769,811
<b>Cash and cash equivalents at 31 December</b>	2,047,386	3,684,838

This condensed consolidated statement of cashflows is to be read in conjunction with the notes to the consolidated interim financial statements.

**Condensed Consolidated Interim Statement of  
Changes in Equity**  
**For the six months ended 31 December 2010**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Fair Value Reserve \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2009</b>	24,308,487	(9,255,630)	164,435	15,217,292
Net change in fair value of available-for-sale-investments	-	-	222,499	222,499
Net profit for the period	-	469,677	-	469,677
Total comprehensive income for the period	-	469,677	222,499	692,176
<b>Transactions with owners, recorded directly in equity</b>				
Share based payments expense	-	423,908	-	423,908
<b>Balance at 31 December 2009</b>	<b>24,308,487</b>	<b>(8,362,045)</b>	<b>386,934</b>	<b>16,333,376</b>
<b>Balance at 1 July 2010</b>	24,308,487	(12,360,111)	334,344	12,282,720
Net change in fair value of available-for-sale-investments	-	-	84,955	84,955
Net loss for the period	-	(107,006)	-	(107,006)
Total comprehensive income for the period	-	(107,006)	84,955	(22,051)
<b>Transactions with owners, recorded directly in equity</b>				
Share based payments expense	-	16,790	-	16,790
<b>Balance at 31 December 2010</b>	<b>24,308,487</b>	<b>(12,450,327)</b>	<b>419,299</b>	<b>12,277,459</b>

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

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial statements.

## **Notes to the condensed consolidated financial statements**

### **1. Reporting entity**

TNG Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at 1/282 Rokeby Rd Subiaco 6008 or at [www.tngltd.com.au](http://www.tngltd.com.au)

### **2. Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting*, and the Corporation Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated financial report of the Group as at and for the year ended 30 June 2010.

The consolidated interim financial report was approved by the Board of Directors on 08 March 2011.

### **3. Significant accounting policies**

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2010.

### **4. Estimates**

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

Except as described below, in preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

### **5. Segment information**

The Board has determined that the Group has one reportable segment, being mineral exploration in Australia. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted consolidated results. This internal reporting framework is the most relevant to assist the Board in making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

## Notes to the condensed consolidated financial statements

### 6. Income tax (expense)/benefit

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Research and development rebate	673,416	-
Tax effect of revaluation of available for sale assets	36,410	-
	<u>709,826</u>	

### 7. Exploration and Evaluation Expenditure

<b>Cost</b>	<b>31 December 2010</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	8,814,265	9,940,111
Exploration expenditure	512,070	2,210,320
Sale of tenements	-	(84,708)
Impairment	-	(3,251,458)
Balance at the end of the period	<u>9,326,335</u>	<u>8,814,265</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas. At balance date the carrying amount of exploration and evaluation expenditure was \$9,326,335 of which \$5,571,952 is attributable to the significant exploration of the Group's Manbarrum project, \$1,253,000 to Cawse Extended, with the balance relating to other exploration programs including Mount Peake.

The carrying value of certain tenements were reassessed during the last financial year by obtaining an independent estimation of their fair values. The indicative value for the Manbarrum group of tenements was estimated to be between \$5m to \$6m.

Norilsk Nickel Australia has advised it has placed the Cawse Nickel operations (100% Norilsk) on indefinite care and maintenance which will delay any recommencement of mining operations at Cawse Extended.

The Directors of TNG remain of the belief that Cawse Extended is an important part of the overall Cawse operations. They also recognise that one of the keys to re-opening the Cawse operations is plant size and efficiency. The resources located on the Joint Venture tenements will be an integral part of this strategy but this could take some time to achieve.

### 8. Capital

	<b>31 December 2010</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Issued and paid-up share capital</b>		
258,055,077 (June 2010: 258,055,077) ordinary shares, fully paid	24,308,487	24,308,487

## Notes to the condensed consolidated financial statements

### 9. Contingent Liabilities – Davis Samuel

TNG is a party to proceedings instituted by the Commonwealth of Australia in the Supreme Court of the Australian Capital Territory. In November 2009 TNG advised that certain of the other defendants had sought to have the case re-opened. The submissions to re-open were heard on 9 November 2009 and 5 February 2010. The Commonwealth and TNG opposed the application to reopen. The court reserved its decision.

The TNG Directors now believe that a decision in respect to the Davis Samuel matter is not expected until late in 2011.

### 10. Related party transactions

The Group invoiced Sherwin Iron Ltd, a director related entity for the reimbursement of salaries and office and administrative costs during the period.

Consulting fees are paid to Hatched Creek Pty Ltd, Kensington Consulting Pty Ltd and Gimbulki Services Pty Ltd of which Neil G Biddle, John W Barr and Edward J Fry are related parties of respectively.

	Transaction value		Balance outstanding	
	Six months ended			
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<b>Provision of services</b>				
Sherwin Iron Limited – administrative services	331,815	177,606	98,792	4,455
<b>Expenses</b>				
Hatched Creek Pty Ltd– consulting services	41,500	77,682	-	-
Kensington Consulting Pty Ltd – consulting services	61,709	60,500	-	-
Gimbulki Services Pty Ltd – consulting services	21,428	20,795	-	-

### 11. Subsequent events

On 17 February 2011 TNG issued 5 million \$0.15 options to consultants. It also announced that it had received the initial payment of \$500,000 under its Joint Venture Heads of Agreement on the Manbarrum Zinc-Lead-Silver Project in the Northern Territory.

On 7 March 2011 TNG announced it had completed a \$2,777,279 capital raising placing 25,247,999 shares at \$0.11 to sophisticated investors.

## **Directors' Declaration**

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

- 1 the financial statements and notes set out on pages 10 to 16, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Group as at 31 December 2010 and of its performance, for the six months ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Paul E Burton  
Director

8 March 2011



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

We have reviewed the accompanying half-year financial report of TNG Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2010, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group, comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of TNG Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of TNG Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Denise McComish  
*Partner*

Perth

8 March 2011