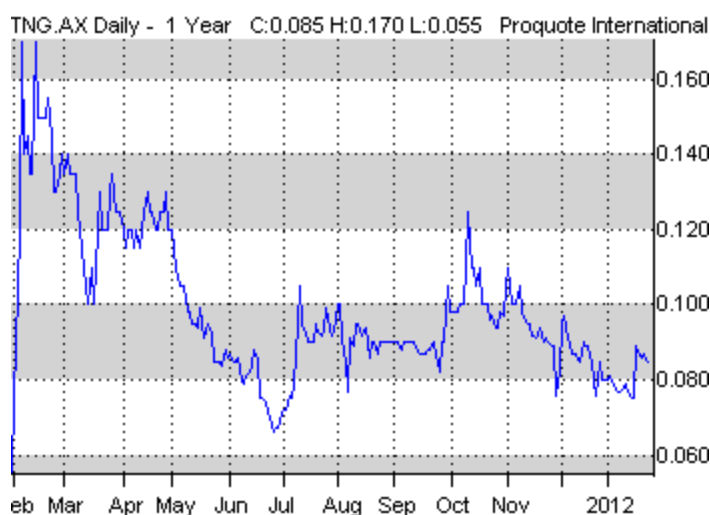


## TNG Limited

The acid test!

8.5¢

30 January 2012



<b>Recommendation:</b>	<b>BUY</b>
Sector:	Mining
Target Price:	45¢
Exchange & Ticker:	ASX: TNG
Shares in issue:	344.6m
Fully diluted shares:	363.7m (426m post ECE)
Market cap:	A\$ 29m
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**TNG Limited (ASX: TNG) announced that construction of a pilot plant is scheduled to commence at the end of January 2012. The pilot plant represents the next key phase of the metallurgical test-work programme being undertaken on material from the company's flagship Mount Peake iron-vanadium deposit in the Northern Territory, Australia. The pilot plant will provide TNG with a definitive test of the commercial potential of the company's proprietary metallurgical process, and as such we await results with interest.**

- **The TIVAN™ test.** The pilot plant will thoroughly test concentrate from Mount Peake with the aim of providing a definitive test of the commercial potential of the proprietary TIVAN™ process - a potentially revolutionary new metallurgical process for vanadium, iron and titanium recovery being developed by TNG and partner METS pty Ltd. The pilot plant will be assembled at the ALS-AMMTEC laboratory in Perth.
- **Competitive advantage.** If proven, TIVAN™ offers a number of advantages over standard processing including lower capex and opex, higher recoveries and purity, and the ability to produce three product streams – vanadium pentoxide, titanium oxide, and ferric oxide. TNG believes that TIVAN™, a hydrometallurgical process, has the potential to be approximately 40% cheaper than standard pyrometallurgical process costs. The commercialisation of the process underpins TNG's development proposition at Mount Peake. The technology also has the potential to be rolled out and applied to other vanadium deposits globally.
- **The timeline.** Operation and testing of the pilot plant is scheduled to commence in March 2012 with final results for vanadium pentoxide expected by the end of Q2 2012. Further test-work to investigate the recovery of iron and titanium products is scheduled for early Q2 2012.
- **Definitive feasibility.** The pilot plant test-work results will flow into the Definitive Feasibility Study for Mount Peake which TNG has scheduled to commence in the current quarter. The DFS will also consider further commercial options including the potential to produce a value-add downstream ferro-vanadium product.

**We maintain our BUY recommendation on the stock and 45¢ price target. The onset of pilot plant test-work moves TNG into a critical stage of development at Mount Peake. We would view successful pilot plant test results for the new TIVAN™ metallurgical process as a major de-risking event, and at present, the company's shares appear cheap, prior to a number of key milestones that TNG plans to complete during H1 2012.**

## DISCLOSURES AND RISK WARNING

The recommendation system used for this research is as follows. We expect the indicated target price relative to the FT All Share Index to be achieved with 12 months on the date of this publication. A 'Hold' indicates expected performance relative to this index of +/-10%, a 'Buy' indicates expected outperformance of >10% and a 'Sell' indicates underperformance of >10%.

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