TNG LIMITED

2010 | ANNUAL REPORT

TNG LIMITED

DIRECTORS

John W Barr (Chairman)
Paul E Burton
Neil G Biddle
Edward J Fry

COMPANY SECRETARY

Simon L Robertson

REGISTERED OFFICE

Level 1, 282 Rokeby Road
Subiaco Western Australia 6008

PO Box 1126
Subiaco Western Australia 6904

Telephone: (08) 9327 0900
Facsimile: (08) 9327 0901
Website: www.tngltd.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth Western Australia 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

AUDITORS

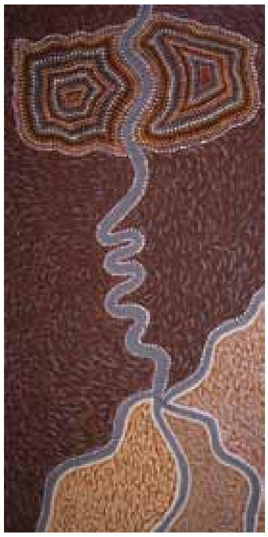
HOME STOCK EXCHANGE

Australian Securities Exchange (ASX)
Code: TNG

INTERNATIONAL STOCK EXCHANGE

Frankfurt Stock Exchange
Code: HJI

TNG LIMITED



Contents

Review of Operations

Overview

The Company continued to add value to its core exploration assets despite the persistent difficult and volatile markets.

Key highlights for the year included:

- Mount Peake resource increased 24% to 139Mt @ 0.29% V_2O_5, 5.3% TiO_2, 23.7% Fe at a 0.1% V_2O_5 cut-off, and a Exploration Target[1] of 500 – 700Mt with a grade range of 0.2% - 0.4% V_2O_5, identified.
- New hydrometallurgical process established for treatement of Mount Peake ore. A Joint Global Patent Application by TNG and Mineral Engineering Technical Services ("METS") submitted.
- An updated Scoping Study commissioned at Mount Peake to incorporate hydrometallurgical process for the recovery of all three commodites – vanadium, titanium and iron.
- 35 new Electro-magnetic targets identified for Nickel/Copper exploration at Mount Peake/Stirling Deeps.
- Revised resource for Sandy Creek at Manbarrum increased 54% to 24.4 Mt @ 1.81% Zn, 0.45% Pb, 4.57g/t Ag, and a Exploration Target[1] of 80 -100Mt with a grade range of 1.5%-2% Zn identified.
- Continued cost cutting and sale of non-core assets helped maintain the company's cash and investments position of $3,677,030.

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

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

The Board endeavours to be accessible to all shareholders and stakeholders and encourages interested parties to contact the Company directly or via our website at: **www.tngltd.com.au**

[1] The potential quantity and grade is conceptual in nature, that 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

Projects

TNG's exploration strategy during the past year has been to add value to its key exploration projects in a cost effective manner while operating in challenging financial conditions. A total of $2,210,321 was spent on exploration during the year. At the same time the company continued to maintain its interest in a number of other prospective tenements in both the Northern Territory and Western Australia, manage its Joint Venture interests, actively sought joint venture partners to progress the Manbarrum and Mount Peake projects while continually assessing new project opportunities.

The Company's 100% owned Mount Peake project remained the focus of the exploration work this year, with a revised upgrade to the resource, positive metallurgical testwork continuing under management by metallurgical consultants and several priority geophysical targets delineated for drilling as part of the broader Nickel/Copper exploration programme.

In addition Joint Venture and investment discussions are continuing with several Asian resource companies.

Mount Peake Project: TNG 100%

The Mount Peake project area is located close to existing power and transport infrastructure in the centre of the Northern Territory. The area under licence covers a highly prospective, but poorly explored area of the Western Arunta geological province.

The project has a current JORC resource of 139Mt @ 0.29% V_20_5, 5.3% TiO_2, 23.7% Fe, with a potential Exploration Target[1] of 500-700 Mt with a grade range of 0.2% - 0.4% V_20_5 and 25% - 35% Fe.

The area is also highly prospective for Nickel and Copper targets have been delineated under the company's Stirling Deeps program.

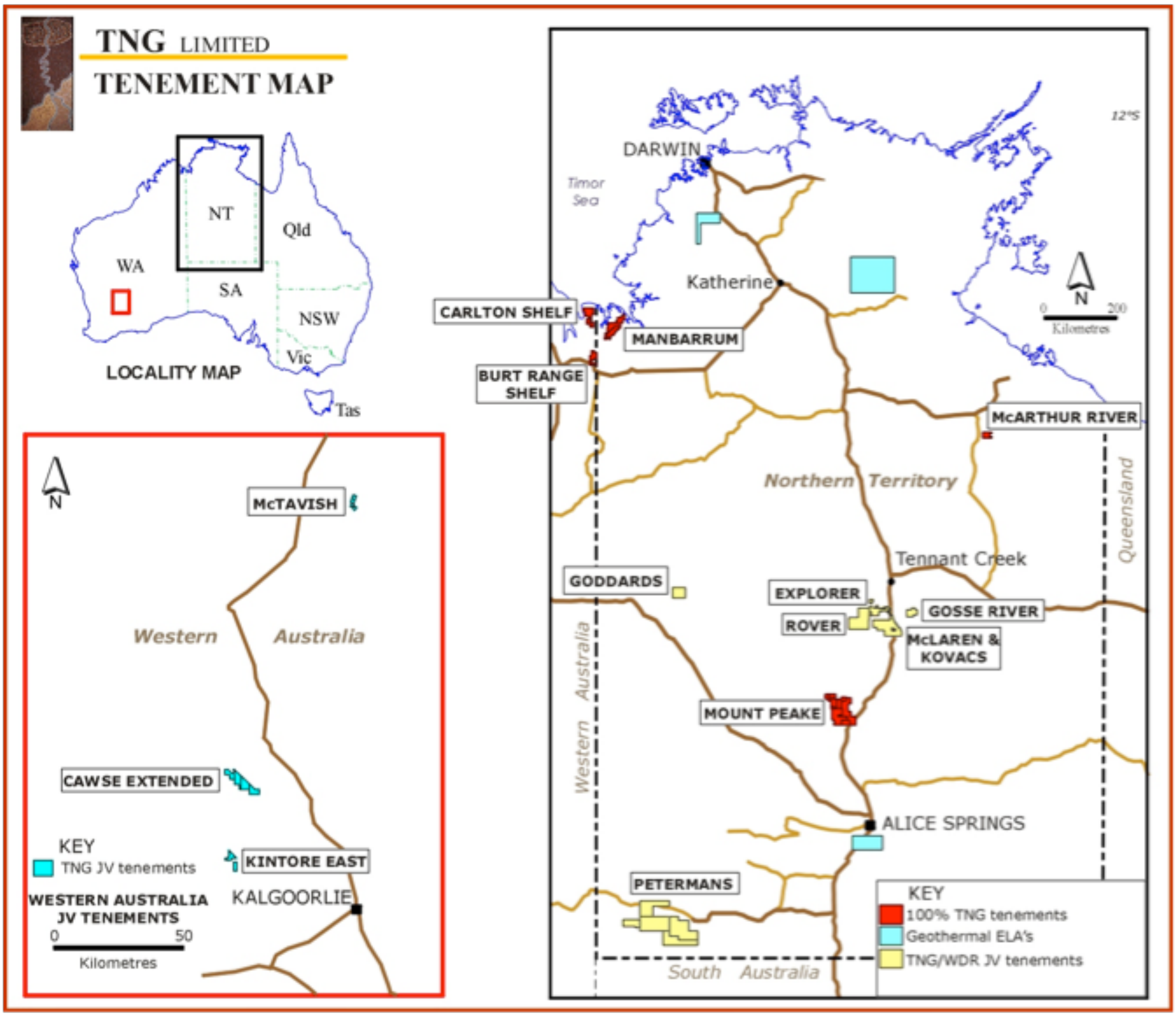


Figure 1: TNG Tenement Map

[1] The potential quantity and grade is conceptual in nature, that 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

Resource:

The Mount Peake resource increased 24% to 139Mt @ 0.29% V_20_5, 5.3% TiO_2, 23.7% Fe at a 0.1% V_20_5 cut-off, and a Exploration Target[1] of 500 – 700Mt with a grade range of 0.2% - 0.4% V_20_5, identified.

The resource remains open along strike to the north and south and TNG is confident that this resource will be increased as more drilling over the large aeromagnetic anomaly which is coincident with the resource is completed. The magnetic anomaly extends for some 9km and only 2.3km has been drilled to date.

The Davis Tube Recovery (DTR) metalurgical process provides a guide on the recovery of concentrate of the mineralisation. Concentrate grades shown in table 1 are commercially acceptable.

Category	Tonnes (Mt)		Head grades				
			V_20_5 %	TiO_2 %	Fe %	SiO_2 %	Al_2O_3 %
Inferred	139		0.29	5.3	23.7	32.5	8.2
		DTR	Concentrate grades				
		Mass Recovery %	V_20_5 %	TiO_2 %	Fe %	SiO_2 %	Al_2O_3 %
		18.2	1.19	14.7	54.1	3.5	2.6

Table 1: February 2010 Mount Peake Inferred Resource at a 0.1 % V_2O_5 cut-off grade

Vanadium – Titanium – Iron:

Metallurgical Test Work and Patent Application:

The three principal commodities in the resource are Iron, Vanadium and Titanium. TNG has commissioned METS to design and manage the metallurgical testwork programme to assess the commercial exploitation of these commodities. METS have in-depth experience with Vanadium deposits, particularly with Australian projects, and are well suited to evaluate the Mount Peake mineralisation.

Results of all metallurgical testwork has demonstrated the amenability of the host rock, a magnetite olivine pyroxenite, to produce a high grade Vanadium concentrate over 1% V_20_5 (table 1).

Optimising has improved both grade and recovery of V_20_5, Fe and $Ti0_2$ while also successfully reducing the $Si0_2$ and Al_20_3 components to acceptable commercial levels.

Further testwork carried out by TNG/METS has shown that the magnetic concentrate is amenable to hydrometallurgical processing, resulting in very high recoveries of vanadium (98%) and iron (83-99%) in the acid leaching.

These new test results have importantly demonstrated that the iron can be separated from the vanadium by using solvent extraction, producing high grade Iron in addition to vanadium and may therefore have a positive impact on the overall project economics, however the anticipated lower capital and operating costs and the higher recovery would need to be demonstrated in further test work studies.

The new hydrometallurgical process represents a major step forward for the Mount Peake Project. TNG and METS have submitted a joint Global Patent Application to protect the invention and allow commercialisation at a later date.

Further optimisation tests are currently underway. TNG will continue to advance the test work with METS to optimise the process prior to a decision on proceeding with a full feasibility study.

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Nickel, Copper
"Stirling Deeps" Project:

As part of the companys Nickel/Copper exploration strategy a complete review of both airborne magnetic and electromagnetic data over the Mount Peake licence area has been completed resulting in a new magnetic model for the project area.

As a result of this initial review a significant basement conductor, BGC1 has been established (Figure 2 & 3).

The original surveys covered a large portion of the Mount Peake project area as well as surrounding tenements held by other companies at that time. A number of priority targets were originally selected from this survey but were not followed up. TNG now has access to all targets and anomalies.

TNG considers the BGC1 anomaly to be a high priority target which will be added to its Nickel-Copper exploration programme in this highly prospective area.

The other magnetic and Airborne Electro-Magnetics (AEM) targets are being reviewed for potential analogies to the Mount Peake Gabbro which hosts the existing $V_2O_5 - TiO_2$ – Fe resource.

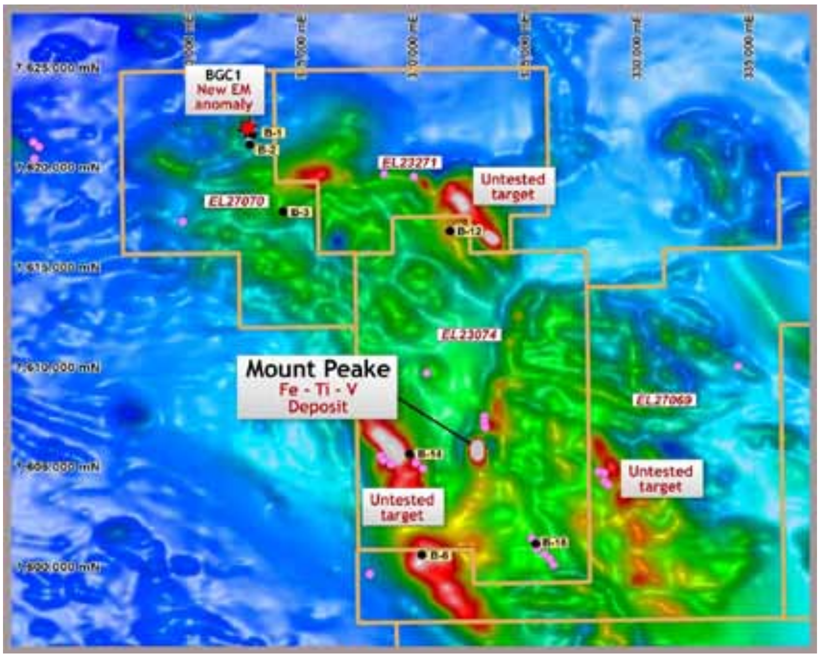

Figure 2: Location of anomaly B1 and the new BGC1 anomaly.

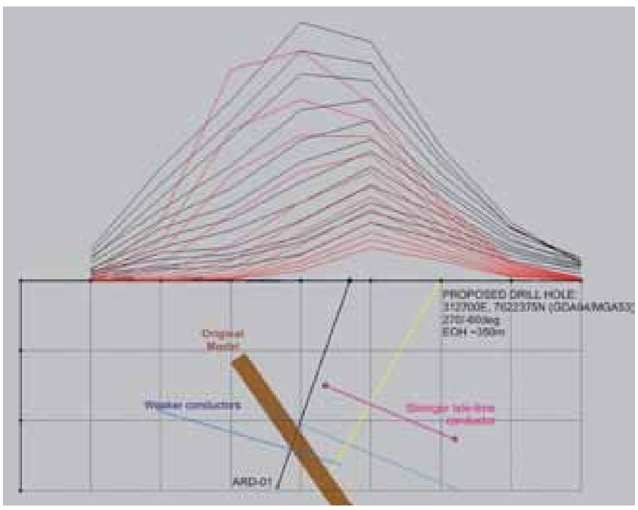

Figure 3: EM profile of the BGC1 anomaly with Conductivity Depth Image model.

Airborne GEOTEM

Re-assessment of AEM's identified a number of late-time, intermediate to strong conductive features for further work. Northwest trending linear features coinciding at AEM 5 (Figure 4) are interpreted to be potential magnetic feeder zones to the Mount Peake gabbro. AEM 5 is a broad moderate late-time conductive zone which can be divided into two conductive zones as potential Bi/Cu targets.

TNG has engaged Geochemical Services Pty Ltd to review and asses TNG's geochemical assay data of the area with a view to selecting prospective areas for Nickel/ Copper and Platinum Group mineralisation.

Geochemical Review:

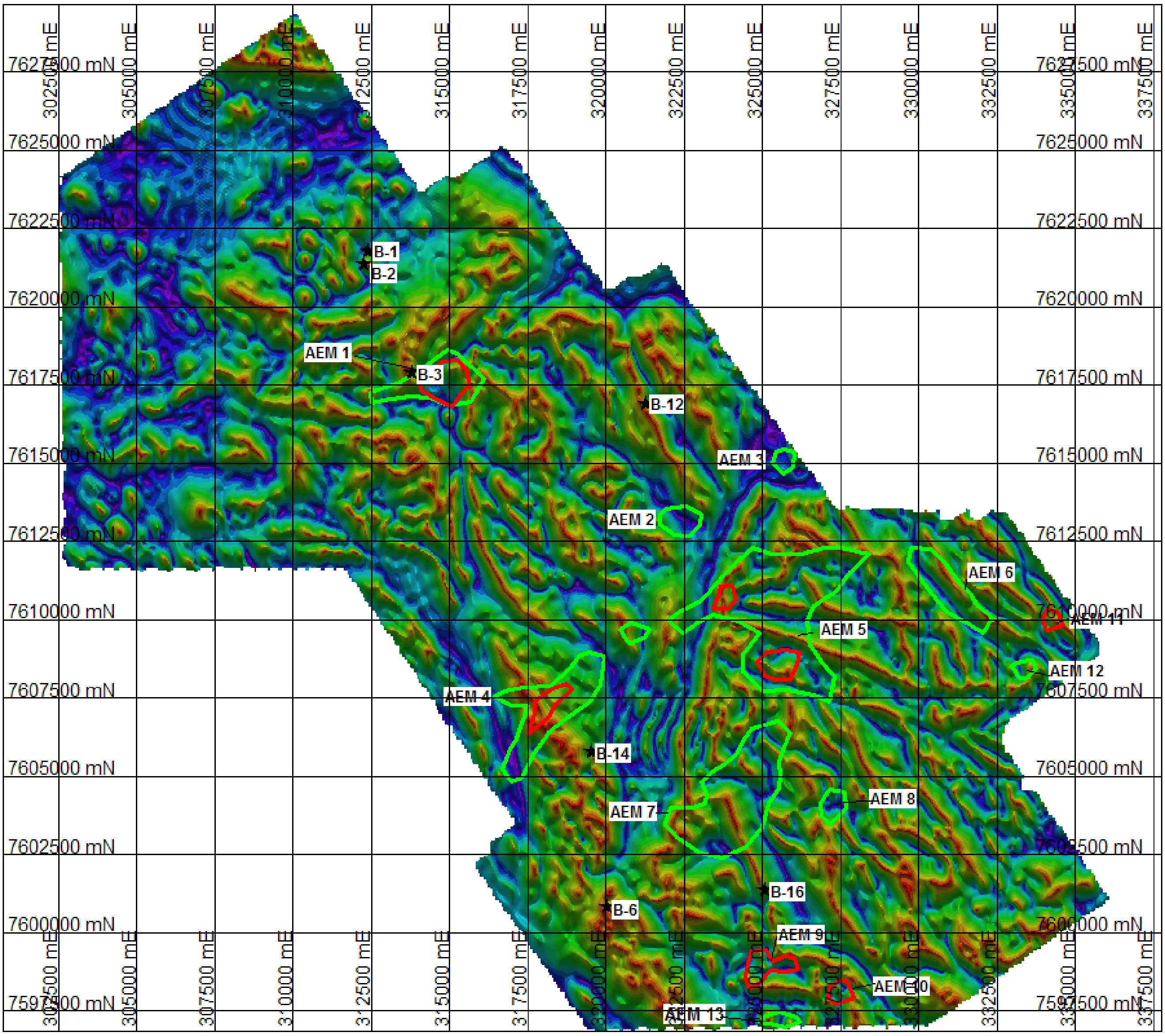

Figure 4: Mount Peake EM targets.

MANBARRUM PROJECT: Zinc -Lead -Silver (TNG 100%)

The Manbarrum Project remains a significant asset in a highly prospective region, in which the Company maintains a strategic ground holding. Two deposits totalling in excess of 35mt of combined zinc-lead-silver mineralisation has been discovered to date, with a number of untested targets gaining a significant Exploration Target of 80-100Mt with a grade range of 1.5%-2% Zn[1].

The Manbarrum Project is located in the Northern Territory 82 kilometres north-east of the township of Kununurra (figure 5). 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.

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

High grade haematite mineralisation has also been identified at the Legune Prospect and elsewhere within the tenements providing an additional resource potential. The Mineral Rights for this have been acquired by TengFei Mining (TFM).

TNG was granted a further two Exploration Licences on the Western Australia side of the basin, Carlton Shelf and Burt Range Licence (Figure 5) which gave an additional exploration area of 530 Km^2 and provide comprehensive tenement coverage of the most prospective areas identified on the Bonaparte Shelf Margin.

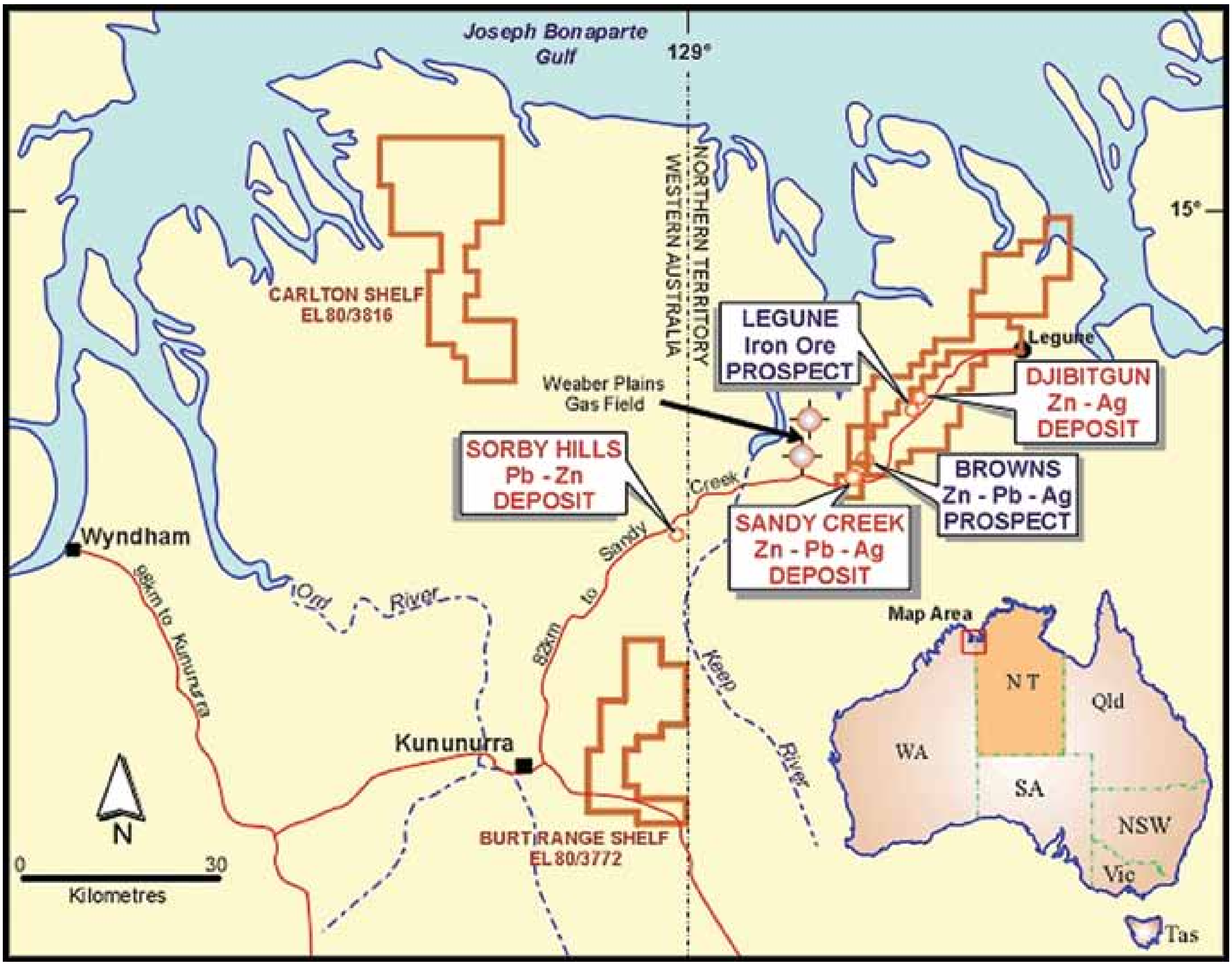

Figure 5: Project Location, TNG tenements shown in Brown. The Sorby hills deposit and Legune prospect are not owned by TNG, they are shown for location purposes only.

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During the year the Manbarrum Project was sold to Teng Fei Mining Ltd (TFM) under a binding contract to acquire the tenements for a consideration of USD$8.5 million plus retaining a 2% Net Smelter Return.

The initial sale amount of US$4.5 million was not received by the due date of 10 June 2010. Accordingly TNG served a default notice on TFM requiring the default to be remedied, but this has not been achieved.

TFM have since verbally advised that they are still hopeful to complete the sale. TNG will endevour to get the sale completed, however is unable to comment on the likely outcome. At this time the project remains 100% held by TNG.

GEOLOGY AND MINERALISATION

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

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

EXPLORATION MODEL

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

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

SANDY CREEK DEPOSIT

The updated Mineral Resource estimate for Sandy Creek resulted in a 54% increase in the inferred resource tonnage to 24.4 million tonnes @ 2.26% zinc plus lead, at a cut-off grade of 1% zinc. This included a higher grade Indicated Resource of 12.6 million tonnes @ 2.95% zinc plus lead at a 1.5% zinc cut-off.

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

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

Metallurgical Test Work

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

Future Work

The Company has applied for a Mineral Lease over the resource area and is progressing this with negotiations with the Traditional Owners of the region and the Northern Land Council.

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DJIBITGUN DEPOSIT

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

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

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

Metallurgical Test Work

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

Further Exploration Work

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

BROWNS PROSPECT

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

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

The prospect was drilled during the year and mineralisation of similar tenor to Sandy Creek was interested but this will need to be completed by further drilling. The Company considers there is potential for a resource to be identified at Browns.

Legune Iron Ore Prospect

During the year a Mineral Rights Agreement was signed with Teng Fei Mining Ltd (TFM). The agreement provides for the 100% sale by TNG of the rights to explore and advance the Legune Iron Ore prospect. Under the agreement TFM paid the sum of $1.400 million.

WESTERN DESERT JOINT VENTURE PROJECTS

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

The main target is Tennant Creek style Copper Gold mineralisation. WDR is progressing exploration on EL 25581. Where it has completed one programme of Reverse Circulation (RC) drilling. No mineralisation was intersected and further drilling required to adequately test the selected targets.

CAWSE EXTENDED JV (80% Norilsk Nickel/20% TNG)

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

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

Other Tenements and Opportunities

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

TNG has submitted applications for several Geothermal Exploration Licenses in the NT under its wholly owned subsidiary TNG Energy Ltd. The NT is prospective for geothermal energy and following the NT Governments decision to allow geothermal exploration in 2010 the company conducted internal research and identified 4 prospective areas.

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.

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.

The Group's Indigenous Policy can be found on our website **www.tngltd.com.au.**

CORPORATE

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 $1,274,400 for the value of the Kanowna Lights NL shares and interest thereon since early 2000, bringing the theoretical liability to an expanded maximum of $3,000,000.

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark.

TNG is also vigorously defending the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008. The court has reserved its decision, which is not expected for some time due to the length of the hearing. It is not possible to predict the likely matter or the timing of an outcome.

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal cost.

Presentations

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

Shareholder meetings

Shareholders are urged to participate in the planned 2010 AGM by attending personally or lodging a proxy.

Competent Person's Statement

The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Paul Burton who is a Member of The Australasian Institute of Mining and Metallurgy and a 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.

Corporate Governance Statement

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

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

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

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	Page 14
1.2	Companies should disclose the process for evaluation of the performance of senior executives.	Yes	Page 18
2.1	A majority of the Board should be independent directors.	No	Page 19
2.2	The chairperson should be an independent director.	No	Page 19
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 4
2.4	The Board should establish a nomination committee.	No	Page 18
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 18
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: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 15
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Yes	Page 16
4.1	The Board should establish an audit committee.	Yes	Page 15
4.2	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the Board; • at least three members.	No	Page 18
4.3	The audit committee should have a formal charter.	Yes	Website
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
6.1	Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 17
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 17
7.3	Disclose whether the Board has received assurance from the CEO and CFO that the declaration provided in accordance with CA section 295A is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 17
8.1	The Board should establish a remuneration committee.	No	Page 18
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 18

The Company's corporate governance practices were in place throughout the year ended 30 June 2010.

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

Board of Directors

Role of the Board and Management

The Board's primary role is the protection and enhancement of medium to long term shareholder value. To fulfil this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Chief Executive Officer 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 Chief Executive Officer 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

The Company currently has the following Board members:

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

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

The Board composition comprises all non-independent directors. Although there are no independent directrs, 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 Chief Executive Officer 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 above.

Disclosure of Information

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Chairman, Chief Executive Officer 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:

- It would breach a law or regulation to disclose the information;
- The information concerns an incomplete proposal or negotiation;
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- The information is generated for internal management purposes;
- The information is a trade secret;
- It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
- The information is data that the release of which may benefit the Company's potential competitors.

The Chairman and Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer and Chief Financial Officer (or equivalent) report in writing to the Board that:

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

Role of Auditor

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

Remuneration Arrangements

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

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

In addition:

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

The service agreement for Kensington Consulting Pty Ltd and Hatched Creek Pty Ltd have been approved by shareholders and contain a termination clause of a maximum of 12 months ($240,000).

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 $240,000).

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

Performance Review

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

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

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

Compliance with ASX Corporate Governance Recommendations

During the Company's 2009/2010 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified on the next page.

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

Directors' Report

The Directors present their report together with the financial report of TNG Limited (the company) and of the Group, being the company and subsidiaries, and the Groups interest in a jointly controlled entity for the financial year ended 30 June 2010 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

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:

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

Mr Barr resigned as joint Company Secretary on 21 April 2010.

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

Chief Executive Officer

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

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

Mr Burton has held no other directorships.

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

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

Non-Executive director

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

During the last four years Mr Biddle has served as a director of Sherwin Iron Limited and he was appointed to the board of West Australians Metals Ltd in 2008.

Edward J Fry

Non-Executive Director

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

Mr Fry has held no other directorships

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	7	7	2	2
Paul E Burton	7	7	2	2
Neil G Biddle	7	7	2	0
Edward J Fry	7	6	2	2

PRINCIPAL ACTIVITIES

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

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

REVIEW AND RESULTS OF OPERATIONS

The operating loss of the Group after income tax for the year was $3,550,378 (2009: loss $10,028,995).

A review of the operations during the financial year is set out on pages 2 to 10.

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

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

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

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

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

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

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

The Board policy is to remunerate Directors at market rates for comparable companies for time, commitment and responsibilities. The Full Board performing the role of the Remuneration Committee which determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of

Directors fees is subject to approval by shareholders at a General Meeting. Fees for non-executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may receive options if approved by shareholders.

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

Service Contracts

John W Barr - Chairman

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

Paul E Burton - Chief Executive Officer

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

Neil G Biddle - Non-Executive Director

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

Edward J Fry - Non-Executive Director

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

Scott L Rauschenberger – Chief Financial Officer

- Term of Agreement – 2007 until terminated by either party
- Salary - $146,000 per annum excluding super plus any expense incurred
- Early Termination – 2 months written notice or making a payment of 1 month salary in lieu. This applies to any reason other than gross misconduct
- 50% of the Chief Financial Officers salary is on-charged to Sherwin Iron Ltd in relation to services rendered.

Simon L Robertson – Company Secretary

- Term of Agreement – 1 August 2009 until terminated by either party giving 3 months notice
- Consultancy fee - $3,750 per month excluding GST is paid to SLR consulting Pty Ltd

2. Directors and Executives officers remuneration

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 2010

Consolidated		Short term		Post employment	Long term		
Directors		Salary & fees	Other	Super	Share-based payment options	Total	Value of options as a proportion of remuneration
		$	$	$	$	$	%
John W Barr *Chairman*	2010	145,500	-	3,600	65,217	214,317	30%
	2009	160,702	-	3,600	-	164,302	-
Paul Burton *Chief Executive Officer*	2010	252,923	-	22,763	195,650	471,336	42%
	2009	215,591	-	19,403	-	234,994	-
Neil G Biddle *Non-Executive*	2010	157,682	-	3,600	65,217	226,499	29%
	2009	161,636	-	3,600	-	165,236	-
Edward Fry *Non-Executive*	2010	77,833	-	3,600	65,217	146,650	44%
	2009	140,622	-	3,600	-	144,222	-
Total	2010	633,938	-	33,563	391,301	1,058,802	37%
	2009	678,551	-	30,203	-	708,754	-

Remuneration of executive who received the highest remuneration for the year ended 30 June 2010

Consolidated		Short term		Post employment	Long term		
Executives		Salary & fees	Other	Super	Share-based payment options	Total	Value of options as a proportion of remuneration
		$	$	$	$	$	%
Scott Rauschenberger[1] *Chief Financial Officer*	2010	81,920	-	7,373	16,304	105,597	15%
	2009	79,084	-	7,118	-	86,202	-
Simon L Robertson *Company Secretary*	2010	53,100	-	-	16,304	69,404	23%
	2009	49,250	-	-	17,828	67,078	27%
Total	2010	135,020	-	7,373	32,608	175,001	19%
	2009	128,334	-	7,118	17,828	153,280	12%

1 *Scott L Rauschenberger is remunerated by TNG Ltd at a current annual salary of $146,000 excluding superannuation and recharged on a pro rata basis.*

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

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

Grant date	Expiry date	Fair value per option	Exercise price	Underlying spot price	Expected volatility	Risk free interest rate	Dividend yield
5 Apr 2007	31 Dec 2011	$0.289	$0.38	$0.420	80.00%	6.09%	Nil
25 Aug 2008	31 Aug 2011	$0.036	$0.15	$0.072	100.00%	4.58%	Nil
24 Nov 2009	15 Dec 2012	$0.033	$0.15	$0.074	88.74%	5.10%	Nil

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

3. Options granted as part of remuneration

Details of options over ordinary shares In the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

Key management	Number of options granted during 2010	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2010
John W Barr	2,000,000	24 Nov 2009	$0.033	$0.15	15 Dec 2012	2,000,000
Neil G Biddle	2,000,000	24 Nov 2009	$0.033	$0.15	15 Dec 2012	2,000,000
Edward J Fry	2,000,000	24 Nov 2009	$0.033	$0.15	15 Dec 2012	2,000,000
Paul E Burton	6,000,000	24 Nov 2009	$0.033	$0.15	15 Dec 2012	6,000,000
Scott L Rauschenberger	500,000	24 Nov 2009	$0.033	$0.15	15 Dec 2012	500,000
Simon L Robertson	500,000	24 Nov 2009	$0.033	$0.15	15 Dec 2012	500,000

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients

4. Exercise of options granted as compensation

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

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

No options granted as remuneration to key management personal in previous years vested or were forfeited during the current financial year. 9,000,000 options to Directors expired during the financial year.

6. Analysis of movements in options

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

The audited remuneration report ends here.

DIRECTORS' INTERESTS

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

Director	Ordinary shares	Options over ordinary shares
John W Barr	9,730,000	2,000,000
Paul E Burton	750,000	6,000,000
Neil G Biddle	7,033,340	2,000,000
Edward J Fry	2,297,892	2,000,000

Options granted to directors and officers of the company

During or since the end of the financial year the company did not grant any options to Directors or executives other than those set out above.

Unissued shares under option

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

Expiry date	Exercise price	Number of options
31 August 2011	$0.15	500,000
31 December 2011	$0.38	1,800,000
15 December 2012	$0.15	15,600,000

ETHICAL STANDARDS

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

Code of Conduct

This code of conduct sets out the standard which the Board, management and employees of the Group 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 Group.

Responsibilities to Shareholders and the Financial Community generally

The Group aims:

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

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

Responsibilities to Clients, Customers and Consumers

The Group 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 Chief Executive Officer as soon as a person becomes aware of such a transgression.

Employment Practices

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

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

Responsibility to the Community

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

Responsibility to the Individual

The Group 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 Group 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 Group. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairman in the case of a Board member or the CEO, the CEO in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

Compliance with the Code

Any breach of compliance with this code is to be reported directly to the Chief Executive Officer or Chairperson, as appropriate.

Periodic Review of Code

The Group 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 Chief Executive Officer.

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 Group.
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 Group.
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Group'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 Group'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 Group operates.
5. Protect the assets of the Group to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Group and that no property, information or position belonging to the Group or opportunity arising from these are used for personal gain or to compete with the Group.
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.

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

INSURANCE PREMIUMS

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

ENVIRONMENTAL REGULATIONS

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

EVENTS SUBSEQUENT TO REPORTING DATE

A Research and Development rebate of $673,416 relating to the 2009/10 financial year is being prepared for submission to the Australian Taxation Office.

NON AUDIT SERVICES

KPMG, the Group'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 29 of the financial report and forms part of the Directors' report for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors.

John W Barr

Chairman

30 September 2010

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 2010 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

KPMG

DMcComish

Denise McComish
Partner

Perth

30 September 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 $	2009 $
Gain on sale of tenements		1,315,292	-
Other income	6(a)	60,682	85,835
Total income		1,375,974	85,835
Corporate and administration expenses	6(c)	(1,242,388)	(1,522,686)
Employment expenses	6(d)	(902,834)	(397,952)
Depreciation and amortisation expenses	6(e)	(122,606)	(207,791)
Impairment loss on exploration	15	(3,251,458)	(8,566,547)
Results from operating activities		(4,143,312)	(10,609,141)
Financial income		177,079	326,305
Financial expenses		(18)	(100,423)
Net financing income	6(b)	177,061	225,882
Loss before income tax		(3,966,251)	(10,383,259)
Income tax benefit	8	415,873	354,264
Net Loss for the year		(3,550,378)	(10,028,995)
Other comprehensive income			
Net change in the value of available for sale financial assets		242,727	176,258
Tax effect on other comprehensive income		(72,818)	-
Other comprehensive income for the year		169,909	176,258
Total comprehensive income for the year		(3,380,469)	(9,852,737)
Loss per share (cents per share)			
Basic loss per share (cents)	9	(1.376)	(4.043)
Diluted loss per share (cents)	9	(1.376)	(4.043)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	11	2,907,429	4,652,188
Other receivables	12	258,044	209,965
Prepayments		38,363	37,605
Other investments	13	796,601	25,568
Total current assets		3,973,437	4,925,326
Non-current assets			
Other investments	13	-	485,454
Plant and equipment	14	79,911	162,872
Exploration and evaluation expenditure	15	8,814,265	9,940,111
Total non-current assets		8,894,176	10,588,437
Total assets		12,867,613	15,513,763
Current liabilities			
Trade and other payables	16	517,568	256,238
Provisions	17	67,325	40,233
Total current liabilities		584,893	296,471
Total liabilities		584,893	296,471
Net assets		12,282,720	15,217,292
Equity			
Issued capital	18	24,308,487	24,308,487
Reserves		334,344	164,435
Retained earnings		(12,360,111)	(9,255,630)
Total equity		12,282,720	15,217,292

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash payments in the course of operations		(1,491,116)	(2,462,923)
Interest received		178,843	256,789
Research and development rebate		343,055	354,264
Net cash used in operating activities	23	(969,718)	(1,851,870)
Cash flows from investing activities			
Proceeds from sale of land and buildings		-	806,380
Proceeds from sale of property plant and equipment		-	96,975
Proceeds from sale of investments		-	7,852
Proceeds from sale of tenements		1,400,000	-
Capital returns from investments		60,682	-
Payments for plant and equipment		(18,748)	(27,925)
Payments for investments		-	(174,258)
Payments for exploration and evaluation expenditure		(2,210,320)	(1,520,675)
Security deposits paid		(6,655)	-
Net cash used in investing activities		(775,041)	(811,651)
Cash flows from financing activities			
Net proceeds on issue of shares and options		-	3,830,289
Repayment of loan		-	(492,264)
Lease payments		-	(32,187)
Net cash received from financing activities		-	3,305,838
Net increase/(decrease) in cash and cash equivalents		(1,744,759)	642,317
Cash at the beginning of the financial year		4,652,188	4,009,871
Cash and cash equivalents at the end of the financial year	11	2,907,429	4,652,188

The Consolidated Statement of cash flows is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Issued Capital $	Retained Earnings $	Translation Reserve $	Fair value reserve $	Total $
At 1 July 2008	20,478,198	871,335	(11,823)	-	21,337,710
Profit for the period	-	(10,028,995)	-	-	(10,028,995)
Other comprehensive income			11,823	164,435	176,258
Total comprehensive income	-	(10,028,995)	11,823	164,435	(9,852,737)
Transactions with owners recorded directly in equity					
Share based payments expense	-	(97,970)	-	-	(97,970)
Share placement	1,032,056	-	-	-	1,032,056
Share issue costs	(92,017)	-	-	-	(92,017)
Share rights issue	2,890,250	-	-	-	2,890,250
At 30 June 2009	24,308,487	(9,255,630)	-	164,435	15,217,292

At 1 July 2009	24,308,487	(9,255,630)	-	164,435	15,217,292
Profit for the period	-	(3,550,378)	-	-	(3,550,378)
Other comprehensive income	-	-	-	169,909	169,909
Total comprehensive income	-	(3,550,378)	-	169,909	(3,380,469)
Transactions with owners recorded directly in equity					
Share based payments expense	-	445,897	-	-	445,897
At 30 June 2010	24,308,487	(12,360,111)	-	334,344	12,282,720

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

The Consolidated Statement of changes in equity is to read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2010

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 2010 comprise the Company and its subsidiaries (together referred to as the 'Group'). The financial report was authorised for issue by the Directors on 30 September 2010.

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

Set out below is information about

- Critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
- Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Critical Judgements

Estimates and assumption

i. Exploration and evaluation assets

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance group's accounting policy (refer note 3(g)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved.

2 BASIS OF PREPARATION (CONTINUED)

Critical to this assessment is estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements.

Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(g), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement in accordance with accounting policy 3(h). The carrying amounts of exploration and evaluation assets are set out in note 15 .

(e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. Notwithstanding the Group recorded a loss for the year ended 30 June 2010 of $3,550,378, the directors consider there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due and payable as current assets exceeded current liabilities by $3,388,544. Accordingly the going concern basis of preparation remains appropriate.

(f) Changes in accounting policy

The Group applies revised AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity, all owner changes in equity. Whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Total comprehensive income is presented as a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement).

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Income tax (continued)

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.

Research and Development rebates refunded from the Australian Tax Office are offset against Income Tax Benefit in the Comprehensive Statement of financial performance.

(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;

(v) Commitments and contingencies are disclosed net of the amount of GST recoverable; and

(vi) from, or payable to, the taxation authority.

(d) Plant and equipment

(i) Recognition and measurement

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

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

(ii) Leased assets

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

(iii) Subsequent costs

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Plant and equipment (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

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.

(g) Intangible assets

Exploration and evaluation assets

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. Accordingly, exploration and evaluation expenditure are those expenditures by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resources are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

a) The rights to tenure of the area of interest are current; and
b) At least one of the following conditions is also met:
   (i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; and
   (ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing. Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling; and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets (continued)

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, costs are expensed as incurred.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised, prior to be reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities on mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest. The company performs impairment testing in accordance with accounting policy 3(h)(ii).

(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.

(h) Impairment (continued)

(ii) Non-financial assets

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

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

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

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

(i) Loans and borrowings

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

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

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

(j) Employee benefits

(i) Share based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Employee benefits (continued)

(iii) Defined contribution funds

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

(k) 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 Group 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.

(l) 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.

(m) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income and Expenses (continued)

(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.

(n) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases which are not recognised on the Groups balance sheet.

(o) Segment reporting

As of 1 July 2009 the Group determines and presents operating segments based on the information provided by the Board of directors who collectively are the Group's Chief Operating Decision Maker ("CODM"). This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirement of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. All operating segments' operating results are regularly reviewed by the CODM to make decisions about the resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The above change has had no impact on disclosure or comparative financial information.

(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 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard
- AASB 124 *Related Party Disclosures (revised December 2009)* simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14* make amendments to Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the consolidated entity's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project (June 2010)* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (June 2010)* contain eleven amendments to six standards and to one interpretation. The amendments will become mandatory for the consolidated entity's 30 June 2011 and 30 June 2012 financial statements respectively. The consolidated entity has not yet determined the potential effect of these amendments.

(q) Change of comparatives

During the year ended 30 June 2010 the Group modified the statement of comprehensive income classification of R&D rebate from other income to income tax benefit to reflect the accounting policy adopted by the Group. Comparative amounts were reclassified for consistency, which resulted in $354,264 being reclassified from other income to income tax benefit.

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

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

Credit risk

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

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

Cash and cash equivalent

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

Trade and other receivables

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

The 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.

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:

		CONSOLIDATED	
		Carrying amount	
	Note	2010	2009
Other receivables	12	258,044	209,965
Cash and cash equivalents	11	2,907,429	4,652,188
		3,165,473	4,862,153

Notes to the Financial Statements

For the year ended 30 June 2010

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Impairment losses

None of the Group's other receivables are past due (2009: nil).

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.

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 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
30 June 2010						
Loan and other borrowings	-	-	-	-	-	-
Trade and other payables	517,568	(517,568)	(517,568)	-	-	-
	517,568	(517,568)	(517,568)	-	-	-

	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
30 June 2009						
Loan and other borrowings	-	-	-	-	-	-
Trade and other payables	256,328	(256,328)	(256,328)	-	-	-
	256,328	(256,328)	(256,328)	-	-	-

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 is not exposed to currency risk and at balance sheet date the Group 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.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Profile

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

		CONSOLIDATED	
		Carrying amount	
	Note	2010	2009
Variable rate instruments			
Cash and cash equivalents	11	907,429	652,188
Fixed rate instruments			
Cash and cash equivalents	11	2,000,000	4,000,000
Security deposits	12	124,277	117,623
		2,124,277	4,117,623

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.

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 $9,074 (2009: $6,521).

Other Market Price Risk

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

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

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

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

30 June 2010	Note	Quoted market price (Level 1) $	Valuation technique Market observable inputs (Level 2) $	Valuation technique Non market observable inputs (Level 3) $
Available for sale assets	13	728,181	-	-
Held for trading	13	41,420	-	-
Total equity investments		769,601	-	-

30 June 2009	Note	Quoted market price (Level 1) $	Valuation technique Market observable inputs (Level 2) $	Valuation technique Non market observable inputs (Level 3) $
Available for sale assets	13	485,454	-	-
Held for trading	13	25,568	-	-
Total equity investments		511,022	-	-

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices. (level 1)

	Level 1	
Reconciliation of fair value movements	**2010 $**	**2009 $**
Opening balance	511,022	215,327
Other comprehensive income	242,727	177,442
Financial income	15,852	23,011
Impairment	-	(68,234)
Purchases	-	174,258
Sales	-	(10,782)
Closing balance	769,601	511,022
Total gain or loss stated in the table above for assets held at the end of the period	15,852	23,011

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The Group's available for sale equity investments and options held for trading are listed on the Australian Securities Exchange. A 10% increase in prices at 30 June 2010 would have increased equity by $72,818 (2009: $51,102) and increased profit and loss by $4,142 (2009: $2,556); an equal change in the opposite direction would have decreased equity by $72,818 (2009: $51,102) and decreased profit and loss by $4,142 (2009: $2,556). 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 2010

6 INCOME AND EXPENSES

		Note	Consolidated 2010 $	2009 $
(a)	**Other income**			
	Gain on sale of property plant and equipment		-	85,835
	Capital returns from investments		60,682	-
	Total Income		60,682	85,835
(b)	**Net financial income**			
	Loss on sale of investments		-	(1,747)
	Interest income		161,227	305,041
	Change in fair value of investments held-for-trading		15,852	23,011
	Finance Income		177,079	326,305
	Interest expense		(18)	(32,189)
	Impairment loss on available for sale investments	13	-	(68,234)
	Finance expense		(18)	(100,423)
	Net finance income and expense		177,061	225,882
(c)	**Corporate and Administration expenses**			
	Travel and accommodation		216,685	103,233
	Directors fees		179,251	200,380
	Legal fees		88,698	553,945
	Promotional		58,173	30,921
	Office on-charges		(453,614)	(383,475)
	Contractors and consultancy		265,035	188,174
	Occupancy		229,226	227,153
	Other		658,934	602,355
	Total Corporate and Administration		1,242,388	1,522,686

The Group invoiced another party $453,614 (2009: $383,475) for the reimbursement of office and administration costs during the year.

6 INCOME AND EXPENSES (CONTINUED)

		Note	Consolidated 2010 $	Consolidated 2009 $
(d)	**Employment expenses**			
	Wages and salaries		421,555	397,089
	Other associated personnel expenses		2,684	62,085
	Contributions to defined contribution plans		32,698	36,748
	Equity settled share- based payment transaction	24	445,897	(97,970)
			902,834	397,952
(e)	**Depreciation and amortisation**			
	Depreciation of:			
	Plant and equipment	14	60,179	102,018
	Motor vehicle	14	-	24,975
	Leasehold improvements	14	62,427	62,595
	Buildings	14	-	18,203
	Total depreciation		122,606	207,791

7 AUDITORS' REMUNERATION

	Consolidated 2010 $	Consolidated 2009 $
Auditors of the Group		
KPMG Australia:		
Audit and review of financial reports	45,000	79,250
Advisory services	-	15,000
	45,000	94,250

Notes to the Financial Statements

For the year ended 30 June 2010

8 INCOME TAX

	Consolidated	
	2010 $	2009 $
A reconciliation between tax expense and pre-tax loss:		
Accouting loss before income tax	(3,966,251)	(10,383,259)
At the domestic interest tax rate of 30% (2009: 30%)	(1,189,875)	(3,114,978)
Expenditure not deducted for income tax purposes		
Share-based payments	133,769	(29,391)
Other non-deductible	51,910	153,237
Tax losses and temporary differences not brought to account	931,378	2,991,132
Other tax offsets		
Research and Development rebate	(343,055)	(354,264)
Income tax benefit reported in the income statement	(415,873)	(354,264)
Unused tax losses	19,439,276	17,956,557
Potential tax benefit @ 30%	5,831,783	5,386,967
Tax losses offset against tax liabilities	(2,001,090)	(2,250,516)
Unrecognised tax benefit	3,830,693	3,136,451

All unused tax losses were incurred by Australian entities

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

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

(i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit.

8 INCOME TAX (CONTINUED)

Deferred income tax	**Consolidated**	
Balance Sheet	**2010 $**	**2009 $**
Deferred income tax relates to the following:		
Deferred Tax Liabilities		
Exploration and evaluation assets	1,930,746	2,250,516
Other	70,344	-
Deferred Tax Assets – tax losses		
Other deferred tax assets used to offset deferred tax liabilities	(2,001,090)	(2,250,516)
	-	-

Tax Consolidation Legislation

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

The entities have not entered into a tax funding agreement

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2010 was based on the loss attributable to ordinary shareholders of $3,550,378 (2009: loss $10,028,995) and a weighted average number of ordinary shares on issue during the year ended 30 June 2010 of 258,055,077 (2009: 248,054,590).

Loss attributable to ordinary shareholders

	2010 $	**2009 $**
Loss for the period	(3,550,378)	(10,028,995)
Loss attributable to ordinary shareholders	(3,550,378)	(10,028,995)

Weighted average number of ordinary shares	**2010 Numbers**	**2009 Numbers**
Number of ordinary shares at 1 July	258,055,077	192,683,315
Effect of shares issued	-	55,371,275
Weighted average number of ordinary shares at 30 June	258,055,077	248,054,590

At balance sheet date the Group has options which were not yet exercised as per note 18.

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

Notes to the Financial Statements

For the year ended 30 June 2010

10 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.

11 CASH AND CASH EQUIVALENTS

	Note	Consolidated 2010 $	Consolidated 2009 $
Cash		2,907,429	4,652,188

12 OTHER RECEIVABLES

	Note	Consolidated 2010 $	Consolidated 2009 $
Current			
Other receivables		76,304	18,606
Bank short term security deposits		124,277	117,623
GST receivables		57,463	73,736
		258,044	209,965

Bank short term deposits maturing between 30 - 90 days are paying interest at a weighted average interest rate of 5.64% (90 day deposits 2009: 3.67%).

13 OTHER INVESTMENTS

	Note	Consolidated 2010 $	Consolidated 2009 $
Current investments			
Financial assets held for trading		41,420	25,568
Available-for-sale investments		728,181	-
		769,601	25,568
Non-current investments			
Available-for-sale investments		-	485,454
		-	485,454

13 OTHER INVESTMENTS (CONTINUED)

Available-for-sale investments

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

	Note	Consolidated 2010 $	Consolidated 2009 $
Balance at 1 July		485,454	208,834
Additional investment		-	171,701
Disposal		-	(4,289)
Change in fair value		242,727	177,442
Impairment – Profit and loss	6(b)	-	(68,234)
Balance at 30 June		728,181	485,454

Financial assets held for trading

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

	Note	Consolidated 2010 $	Consolidated 2009 $
Balance at 1 July		25,568	6,493
Change in fair value	6(b)	15,852	23,011
Transferred to Available-for-sale		-	-
Additional investment		-	2,557
Disposals		-	(6,493)
		41,420	25,568

Notes to the Financial Statements

For the year ended 30 June 2010

14 PLANT & EQUIPMENT

	Consolidated 2010 $	Consolidated 2009 $
Cost		
Leasehold improvements		
Balance at 1 July	250,379	250,379
Additions	-	-
Disposals	-	-
Balance at 30 June	250,379	250,379
Plant and equipment		
Balance at 1 July	506,296	739,159
Additions	39,645	22,795
Disposals	-	(255,658)
Balance at 30 June	545,941	506,296
Motor vehicle		
Balance at 1 July	-	156,627
Disposals	-	(156,627)
Balance at 30 June	-	-
Land and buildings		
Balance at 1 July	-	715,958
Additions	-	5,130
Disposals	-	(721,088)
Balance at 30 June	-	-

14 PLANT & EQUIPMENT (CONTINUED)

	Consolidated 2010 $	Consolidated 2009 $
Accumulated Depreciation		
Leasehold improvements		
Balance at 1 July	186,327	123,732
Depreciation charge for the year	62,427	62,595
Disposal	-	-
Balance at 30 June	248,754	186,327
Plant and equipment		
Balance at 1 July	407,476	468,641
Depreciation charge for the year	60,179	102,018
Disposal	-	(163,183)
Balance at 30 June	467,655	407,476
Motor vehicle		
Balance at 1 July	-	78,886
Depreciation charge for the year	-	24,975
Disposal	-	(103,861)
Balance at 30 June	-	-
Buildings		
Balance at 1 July	-	42,869
Depreciation charge for the year	-	18,203
Disposal	-	(61,072)
Balance at 30 June		-

Notes to the Financial Statements

For the year ended 30 June 2010

14 PLANT & EQUIPMENT (CONTINUED)

	Consolidated 2010 $	Consolidated 2009 $
Carrying amounts		
Leasehold improvements		
At 1 July	64,052	126,647
At 30 June	1,625	64,052
Plant and equipment		
At 1 July	98,820	270,518
At 30 June	78,286	98,820
Motor vehicle		
At 1 July	-	77,741
At 30 June	-	-
Land and buildings		
At 1 July	-	673,089
At 30 June	-	-
Total	79,911	162,872

15 EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2010 $	2009 $
Cost		
Balance at 1 July	9,940,111	16,985,982
Exploration expenditure	2,210,320	1,520,675
Sale of tenements	(84,708)	-
Impairment	(3,251,458)	(8,566,546)
Balance at 30 June	8,814,265	9,940,111
Drilling	441,809	54,347
Analysis	196,919	224,596
Other expenditure including Metallurgical test work and salaries	1,571,592	1,241,732
Total exploration expenditure	2,210,320	1,520,675

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 $8,814,265 of which $5,450,000 is attributable to the significant exploration of the consolidated entity's Manbarrum project, $1,253,000 to Cawse Extended, with the balance relating to other exploration programs including Mount Peake.

Management reassessed the carrying value of certain tenements during the 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, accordingly a valuation of $5,450,000 has been allocated to Manbarrum resulting in an impairment of $914,458.

15 EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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

Norilsk has been involved in sale discussions in relation to its Cawse Nickel operation. 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.

The tenements in relation to the Cawse extended project have been tested for impairment using a royalty valuation method resulting in a estimated value of $5,012,000. Given the current economic climate and state of operations, a more conservative valuation of $1,253,000 has been assessed by management. This has resulted in an impairment loss of $2,337,000.

16 TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $	2009 $
Current		
Trade payables	263,839	120,108
Other	253,729	136,130
	517,568	256,238

17 PROVISIONS

	Consolidated	
	2010 $	2009 $
Employee provisions		
Current		
Balance at 1 July	40,233	26,494
Provisions made/used during the year	27,092	13,739
Balance at 30 June	67,325	40,233

18 CAPITAL

	Consolidated 2010 $	2009 $
Issued and paid-up share capital	24,308,487	24,308,487

(a) Movements in shares on issue

	2010 Number	$
Balance at the beginning of year	258,055,077	24,308,487
Balance at end of year	258,055,077	24,308,487

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

Expiry Date	Exercise Price	Number at end of year 2010	2009
31 December 2011 (unlisted)	$0.38	1,800,000	1,800,000
31 March 2010 (unlisted)	$0.49	-	14,000,000
1 November 2009 (unlisted)	$0.75	-	200,000
31 August 2011 (unlisted)	$0.15	500,000	500,000
15 December 2012 (unlisted)	$0.15	13,600,000	-

Terms and conditions of options

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

Notes to the Financial Statements

For the year ended 30 June 2010

18 CAPITAL (CONTINUED)

(c) Dividends

No dividends were declared or paid during the 2010 financial year.

Dividend franking account	**Consolidated**	
	2010 $	**2009 $**
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.

19 COMMITMENTS

Exploration expenditure commitments

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

	Consolidated	
	2010 $	**2009 $**
Exploration commitments payable not provided for in the financial report:		
Within one year	85,044	-
Operating lease commitments		
Operating lease commitments are payable as follows:		
Within one year	11,264	12,288
Between one year and 5 years	-	11,264
	11,264	23,552

20 CONTINGENT LIABILITIES

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

	Consolidated	
	2010 $	2009 $
Litigation		
Constructive trust claim over the Kanowna Securities.		
Refer below.	2,146,687[2]	2,146,687[2]
Guarantees		
A guarantee has been provided to support unconditional environmental performance bonds	124,277	117,000
Indemnities[1]		
Total estimated contingent liabilities	2,270,964	2,263,687

1 *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 2010.*

2 *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 (to the date of the claim). TNG may also be liable for the Commonwealths costs which are not included in the contingent liability figure above.*

Constructive Trust Claim

Resolution of matters arising from 1998

In the period September to December 1998 management control of TNG was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee Directors committed TNG to a series of transactions involving expenditure totalling $1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, TNG entered into a settlement agreement with Davis Samuel and its Directors which effectively provided for the repayment of the funds expended, and TNG would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing TNG from selling or otherwise disposing of them. The Commonwealth has claimed that as constructive trustee, TNG is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

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

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

Notes to the Financial Statements

For the year ended 30 June 2010

20 CONTINGENT LIABILITIES (CONTINUED)

Constructive Trust Claim (continued)

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

TNG, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark.

TNG is also vigorously defending the Commonwealth claims. The court hearing commenced in June 2008 and concluded in the last quarter of 2008. The court has reserved its decision, which is not expected for some time due to the length of the hearing. It is not possible to predict the likely matter or the timing of an outcome.

Any adverse finding made against TNG which cannot be successfully recovered from cross claims made against other parties may result in TNG being liable to pay up to the amount claimed by the commonwealth. TNG may also be liable for costs of the proceedings if awarded against it, as well as its own legal cost.

21 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.

	Consolidated	
	2010 **$**	**2009** **$**
Income Statement		
Loss before income tax	(3,550,378)	(10,028,995)
Share based payments	445,897	(97,970)
Movement in retained earnings	(3,104,481)	(10,126,965)
Retained earnings at beginning of year	(9,255,630)	871,335
Retained earnings at end of year	(12,360,111)	(9,255,630)

21 DEED OF CROSS GUARANTEE (CONTINUED)

Balance Sheet	Consolidated 2010 $	2009 $
Cash assets	2,905,969	4,312,180
Trade and other receivables	218,844	172,014
Prepayments	36,539	35,752
Other investments	769,601	25,568
Total current assets	3,930,953	4,545,514
Other investments	-	484,454
Plant and equipment	69,398	127,920
Intercompany loan	5,746,284	6,044,814
Exploration and evaluation expenditure	3,108,314	4,259,748
Total non-current assets	8,923,996	10,916,936
Total assets	12,854,949	15,462,450
Trade and other payables	504,904	204,925
Provision	67,325	40,233
Total current liabilities	572,229	245,158
Total liabilities	572,229	245,158
Net assets	12,282,720	15,217,292
Issued capital	24,308,487	24,308,487
Reserves	334,344	164,435
Retained earnings	(12,360,111)	(9,255,630)
Total equity	12,282,720	15,217,292

22 CONSOLIDATED ENTITIES

	Country of Incorporation	2010 % of Ownership	2009 % of Ownership
Subsidiaries			
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[1]	Australia	100	100

[1] *Direct subsidiary of Enigma Limited*

Notes to the Financial Statements

For the year ended 30 June 2010

23 NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash flows from operating activities

	Consolidated	
	2010 $	2009 $
Net loss for the period	(3,550,378)	(10,028,995)
Add/(less) items classified as investing/financing activities:		
Gain on sale of tenements	(1,315,292)	-
Gain on sale of investments	-	1,747
Return of capital from investments	(60,682)	-
Finance Costs	-	32,189
Add/(less) non-cash items:		
Depreciation and amortisation	122,606	207,791
(Profit)/loss on disposal of plant and equipment	-	(85,835)
Share based payments	445,897	(97,970)
Impairment in investments	-	68,234
Gain on Held for trading investments	(15,852)	(23,011)
Impairment of exploration costs	3,251,458	8,566,546
Tax effect on other comprehensive income	(72,818)	-
	(1,195,061)	(1,359,304)
Change in assets and liabilities:		
Increase/(decrease) in current payables, borrowing and provisions	267,555	(473,960)
(Increase)/decrease in current receivables	(42,212)	(18,606)
Net cash used in operating activities	(969,718)	(1,851,870)

24 EMPLOYEE BENEFITS

	Note	Consolidated 2010 $	2009 $
Aggregate liability for employee benefits, including on-costs			
Current			
Employee benefits provision	17	67,325	40,233

Defined contribution superannuation funds

The Group made contributions to the employees' nominated superannuation funds. The amount recognised as an expense was $32,698 for the financial year ended 30 June 2010 (2009: $36,748).

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	500,000	-	5 April 2007	31 Dec 2011	$0.380	$0.289	31 May 2007
6	100,000	-	5 April 2007	31 Dec 2011	$0.380	$0.289	31 Dec 2007
2	500,000	-	5 April 2007	31 Dec 2011	$0.380	$0.289	31 May 2008
6	100,000	-	5 April 2007	31 Dec 2011	$0.380	$0.289	31 Dec 2008
2	500,000	-	5 April 2007	31 Dec 2011	$0.380	$0.289	31 May 2009
6	100,000	-	5 April 2007	31 Dec 2011	$0.380	$0.289	31 Dec 2009
7	250,000	-	25 Aug 2008	31 Aug 2011	$0.15	$0.036	31 Aug 2008
7	250,000	-	25 Aug 2008	31 Aug 2011	$0.15	$0.036	31 Jan 2009
8	13,000,000	-	24 Nov 2009	15 Dec 2012	$0.15	$0.033	24 Nov 2009
9	600,000	-	24 Dec 2009	15 Dec 2012	$0.15	$0.036	24 Dec 2009

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 2010.

Grant date	5 April 2007	25 Aug 2008	24 Nov 2009	24 Dec 2009
Dividend yield	-	-	-	-
Underlying security spot price	$0.42	$0.072	$0.07	$0.08
Exercise price	$0.38	$0.15	$0.15	$0.15
Standard deviation of returns	80.00%	100%	88.74%	88.74%
Risk free rate	6.09%	4.58%	5.10%	5.10%
Expiration period	4-7 years	3 years	3.1 years	2.9 years
Black Scholes valuation	$0.289	$0.036	$0.033	$0.036
Vesting Period	Immediately	Immediately	Immediately	Immediately

Notes to the Financial Statements

For the year ended 30 June 2010

24 EMPLOYEE BENEFITS (CONTINUED)

Employee expenses

	Note	Consolidated 2010 $	Consolidated 2009 $
Share options granted in 2008 equity settled		-	(115,812)
Share options granted in 2009 equity settled		-	17,842
Share options granted in 2010 equity settled		445,897	-
Total expense/(income) recognised as employee expenses	6(d)	445,897	(97,970)

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

	Consolidated			
	Weighted average exercise price 2010	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 July	0.47	16,500,000	$0.49	18,300,000
Forfeited during the period	0.38	(14,200,000)	$0.32	(2,300,000)
Granted during the period	0.15	13,600,000	$0.15	500,000
Outstanding during the period	0.28	15,900,000	$0.47	16,500,000
Exercisable at 30 June	0.19	15,900,000	$0.48	15,900,000

The options outstanding at 30 June 2010 have an exercise price in the range of $0.15 to $0.38 and a weighted average contractual life of 2.31 years.

Options granted to Directors are disclosed under Note 25.

25 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

Directors

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

Executives

Scott L Rauschenberger	(Chief Financial Officer)
Simon L Robertson	(Company Secretary)

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

Compensation by category

	Consolidated	
	2010 $	**2009 $**
Key Management Personnel		
Short-term	768,958	806,885
Post-employment	40,936	37,321
Share-based payments	423,909	17,828
	1,233,803	862,034

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

(c) Equity instruments

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

Options and rights over equity instruments

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

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

Movements in Options

	Held at 1 July 2009	Granted as remuneration	Expired	Exercised	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
John W Barr	3,000,000	2,000,000	(3,000,000)	-	2,000,000	-	2,000,000
Neil G Biddle	3,000,000	2,000,000	(3,000,000)	-	2,000,000	-	2,000,000
Edward J Fry	1,500,000	2,000,000	(1,500,000)	-	2,000,000	-	2,000,000
Paul E Burton	1,500,000	6,000,000	(1,500,000)	-	6,000,000	-	6,000,000
Executives							
Scott L Rauschenberger	-	500,000	-	-	500,000	-	500,000
Simon L Robertson	500,000	500,000	-	-	1,000,000	-	1,000,000

Notes to the Financial Statements

For the year ended 30 June 2010

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity instruments (continued)

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

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

2 *Appointed Director 11 August 2008*

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

Equity holdings and transactions

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

	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Other[1]	Held at 30 June 2010
Directors						
John W Barr	9,980,000	-	-	(250,000)	-	9,730,000
Neil G Biddle	7,033,340	-	-	-	-	7,033,340
Edward J Fry	2,297,892	-	-	-	-	2,297,892
Paul E Burton	750,000	-	-	-	-	750,000
Executives						
Scott L Rauschenberger	400,000	-	-	-	-	400,000

1 *Michael P Bowen and Terence N Smith resigned on 11 November 2008. Accordingly the disclosure on their equity holdings are not disclosed after that date.*

25 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity instruments (continued)

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Other[1]	Held at 30 June 2009
Directors						
John W Barr	7,480,000	2,500,000	-	-	-	9,980,000
Neil G Biddle	7,156,625	1,876,715	-	(2,000,000)	-	7,033,340
Michael P Bowen	3,265,090	-	-	-	(3,265,090)	-
Edward J Fry	1,876,785	421,107	-	-	-	2,297,892
Terence N Smith	5,272,710	-	-	-	(5,272,710)	-
Executives						
Paul E Burton	80,000	670.000	-	-	-	750,000
Scott L Rauschenberger	-	400,000	-	-	-	400,000

1 *Michael P Bowen and Terence N Smith resigned on 11 November 2008. Accordingly the disclosure on their equity holdings are not disclosed after that date.*

No shares were granted to key management personnel during the reporting period in 2009 and 2010. 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 $16,000 (2009: $30,700). Details of the transactions are as follows:

Specified Directors	Transaction	Note	2010 $	2009 $
Neil G Biddle	Corporate charters	(i)	16,000	30,700

(i) The Group used the services of Hannan Street Corporate Charters, an entity of which Mr Neil G Biddle is a related party. This amount forms part of salaries and fee's balance contained within remuneration report.

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

The Group invoiced a director related entity $453,614 (2009: $383,475) for the reimbursement of salaries and office and administration costs during the year.

Notes to the Financial Statements

For the year ended 30 June 2010

26 INTEREST IN JOINT VENTURE OPERATIONS

Joint venture operations

Joint venture party	Joint venture	Principal activities	Consolidated Interest 2010 $	Consolidated Interest 2009 $	Consolidated Exploration expenditure 2010 $	Consolidated Exploration expenditure 2009 $
Norilsk Nickel Cawse Ltd	Cawse Extended	Nickel/Cobalt	20%	20%	-	-
La Mancha Pty Ltd	Kintore East	Gold	17.55%	23.75%	-	-
McTavish	FMR	Gold	10.1%	10.1%	-	-

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
Total	$1,500,000	$2,500,000	$4,000,000

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

27 PARENT ENTITY INFORMATION

	2010 $	2009 $
Current assets	3,151,440	4,538,567
Total assets	12,808,838	13,048,148
Current liabilities	573,531	246,460
Total liabilities	573,531	246,460
Issued capital	24,308,487	24,308,487
Retained earnings	(12,407,524)	(11,671,234)
Option reserve	334,344	164,435
Total shareholders' equity	12,235,307	12,801,688
Profit or loss of the parent entity	(1,182,188)	(10,093,547)
Total comprehensive income of the parent entity	(1,012,279)	(9,917,289)

Tax consolidation

TNG and its 100% owned Australian subsidiaries formed a tax consolidated group with effect from 1 July 2003. TNG is the head entity of the tax consolidated group. Members of the group have not entered into a tax sharing agreement.

The parent entity has entered into a Deed of Cross Guarantee with its subsidiaries. Refer note 21 for details.

Operating lease commitments

Operating lease commitments are payable as follows:		
Within one year	7,689	8,388
Between one year and 5 years	-	7,689
	7,689	16,077

For contingent liabilities in relation to the parent entity, please refer to note 20.

28 EVENTS SUBSEQUENT TO BALANCE DATE

No material subsequent events were recorded subsequent to balance date.

Directors Declaration

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

(a) the financial statements and notes, and the Remuneration report in the Director's report, set out on pages 20 to 24, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and

(ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporation Regulations 2001;

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

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in note 21 will be able to meet any obligation or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2010

Signed in accordance with the resolution of the directors:

John W Barr

Chairman

Dated at Perth 30 September 2010

Independent Audit Report to members of TNG Limited

KPMG

Independent auditor's report to the members of TNG Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising TNG Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year , which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

D McComish

Denise McComish
Partner

Perth

30 September 2010

ASX Additional Informational

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

Shareholdings (as at 29 September 2010)

Substantial shareholders

Substantial holders in the Company are set out below:

Shareholder	Number	Percentage
CBH resources Ltd	16,194,065	6.28%
HSBC Custody Nominees (Aust) Ltd	11,928,966	4.62%

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 September 2010

Category	Ordinary shares
1 – 1,000	59,511
1,001 – 5,000	1,326,909
5,001 – 10,000	2,600,664
10,001 – 100,000	30,432,889
100,001 and over	223,635,103
	258,055,076

The number of shareholders holding less than a marketable parcel is 905.

ASX Additional Informational (continued)

Shareholdings (as at 29 September 2010) (continued)

Twenty largest shareholders as at 29 September 2010

Rank	Name	Units	% of units
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	11,928,996	4.62
2.	CBH RESOURCES LIMITED	10,000,000	3.88
3.	COLBERN FIDUCIARY NOMINEES PTY LTD	9,260,315	3.59
4.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	9,070,532	3.51
5.	CBH RESOURCES LIMITED	6,194,065	2.40
6.	BIDDLE PARTNERS PTY LTD <BIDDLE SUPER FUND A/C>	5,869,903	2.27
7.	MRS MEGAN BROUWER	5,557,645	2.15
8.	MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN	5,000,000	1.94
9.	MR WARREN WILLIAM BROWN + MRS MARILYN HELENA BROWN	4,999,999	1.94
10.	CENTRE CORPORATION PTY LIMITED <T & AV LILLIS FAMILY A/C>	4,263,258	1.65
11.	KENSINGTON CONSULTING PTY LTD	4,121,563	1.60
12.	MR ALISTAIR WANSBONE MACKIE	4,062,500	1.57
13.	KENSINGTON CONSULTING PTY LTD	3,625,000	1.40
14.	TEAS NOMINEES PTY LTD <THE SMITH SUPER FUND A/C>	2,965,887	1.15
15.	MEGA-MIN RESOURCES PTY LTD <MEGA-MIN A/C>	2,625,000	1.02
16.	HUSH HUSH PTY LTD	2,537,997	0.98
17.	ASHTON DRILLING SERVICES PTY LTD	2,500,000	0.97
18.	KSLCORP PTY LTD	2,500,000	0.97
19.	TEAS NOMINEES PTY LTD <SUPER FUND A/C>	2,500,000	0.97
20.	BONOS PTY LTD	2,220,000	0.86
Totals:	**Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)**	**101,802,660**	**39.45**
Total Remaining Holders Balance		**156,252,416**	**60.55**

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

Prospect	Tenements	Equity
Warramunga Project/Rover JV	ELA25581, ELA25582, ELA25587, EL24471, MLC647	Joint Venture
Cawse Extended	M24/547, M24/548, M24/549, M24/550	20% free carried to production, or can be converted to a 2% net smelter return on ore mined. Unicorn Pit is now excised and a wet tonne royalty applies.
Goddard's Copper Prospect	ELA24260	Joint Venture
Kintore East	P16/2370, P16/2371, P16/2372, P16/2373, P162374, P16/2459	Diluting from 49% to 2% gold return interest on production. Current percentage interest is 23.75%.
Manbarrum	A24518, A26581, EL24395,EL2547, EL25646, EL25470, EL80/3772, EL80/3816	100%
McTavish	M40/77, M40/119, M40/157, P40/1193	3% gross royalty (third party retains a 25% interest in TNG's interest)
Mt Peake	EL23271, EL23074, EL27069, EL27070	100%
Peterman Ranges	ELA26383, ELA25564, ELA26384, ELA25562, ELA26382	Joint Venture
McArthur River	ELA27711	100%
Geothermal	GEP 27828, GEP 27827, GEP 27826, GEP27825	100%

Legend

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

ASX Additional Informational (continued)

Unlisted Options

Unlisted options exercisable @ $0.32 expiring 31 December 2011	
Total on issue	1,800,000
Number of holders	2
Holders with 20% or more:	
Paul E Burton	1,500,000
Unlisted options exercisable @ $0.15 expiring 15 December 2012	
Total on issue	13,000,000
Number of holders	6
Holders with 20% or more:	
Paul E Burton	6,000,000
Unlisted options exercisable @ $0.15 expiring 15 December 2012	
Total on issue	2,600,000
Number of holders	7
Holder with 20% or more:	
Ballyhoo Marketing Communications PL	2,000,000
Unlisted options exercisable @ $0.15 expiring 31 August 2011	
Total on issue	500,000
Number of holders	1
Holder with 20% or more:	
SLR Consulting Pty Ltd	500,000

TNG LIMITED

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REGISTERED OFFICE

Level 1, 282 Rokeby Road
Subiaco Western Australia 6008

PO Box 1126
Subiaco Western Australia 6904

Telephone: (08) 9327 0900
Facsimile: (08) 9327 0901
Website: www.tngltd.com.au

74644 acorndesign.com.au