TNG LIMITED

ENIGMA MINING LTD

MOUNT PEAKE PROJECT

SIXTH GROUP ANNUAL REPORT

GR226/12

EL 27069 – 18/02/16 to 17/02/17
EL 27070 – 18/02/16 to 17/02/17
EL 27941 – 18/02/16 to 17/02/17
EL 29578 – 18/02/16 to 17/02/17

Tenement/s	EL27069, EL27070, EL27941, EL28491, EL29578,	1:250 000 Sheet Name	Mount Peake (SE5305) Barrow Creek (SF5306)
Holder	Enigma Mining Ltd	1:100 000 Sheet Name	Anningie (5554), Mount Peake (5454) Barrow (5654)
Manager	N/A	Datum	GDA94-53
Operator	Enigma Mining Ltd	GDA_E	317050-327590
Commodity	V, Ti, Fe	GDA_N	7599400-7617851
Elements Analysed			
Keywords	Iron, vanadium, titanium, reconnaissance, rehabilitation, assessment, prospects, target, graphite, drilling		
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EXECUTIVE SUMMARY

The Mount Peake Project is operated by Enigma Mining Ltd, a wholly owned subsidiary of TNG Ltd. The project currently comprises five exploration licences (EL 27069, EL 27070, EL 27941, EL 28491 and EL 25978) in the north-central portion of the Paleoproterozoic Arunta Province.

The project area is located approximately 220km NNW of Alice Springs in the Northern Territory and covers portions of the Mount Peake (SF53-05) 1:250,000 map sheet. It lies within the Stirling and Anningie Pastoral Leases and is subject to Native Title.

The main focus of the Mount Peake project has been evaluation of the potenitally world class Fe-V-Ti deposit which lies within ELR 29627. The Definitive Feasibility Study was completed in mid-2015 and a suppplement to the EIS was lodged with the NT EPA in March 2017.

Minimal exploration was conducted during the reporting year. Rehabilitation monitoring work was completed on EL27069, EL27941 and EL29578. A reduction and renewal application was lodged for EL27941 and the licence was renewed for a two year period to expire in October 2018.

A review was completed on all the exploration undertaken on areas outside of the Mount Peake V-Ti-Fe deposit. Based on this review there are a number of targets within the Mount Peake project area which require followup exploration.

TABLE OF CONTENTS

FIGURES

TABLES

APPENDIX 1: Rehabilitation Monitoring Photographs

1. INTRODUCTION

The Mount Peake Project is operated by Enigma Mining Ltd (Enigma), a wholly owned subsidiary of TNG Ltd. The project currently comprises four granted exploration licences (EL 27069, EL 27070, EL 27941 and EL 29578) in the north-central portion of the Paleoproterozoic Arunta Province. Exploration Licence 28491 was surrendered during the reporting period. An Exploration Licence in Retention (ELR 29627) has been granted surrounding the Mount Peake Fe-V-Ti deposit and this has been reported on separately.

The main focus of the Mount Peake project has been evaluation of the Fe-V-Ti deposit which lies within ELR 29627. The Definitive Feasibility Study was completed in mid-2015 and a suppplement to the EIS was lodged with the NT EPA in March 2017.

Minimal exploration was conducted during the reporting year. Rehabilitation monitoring work was completed on EL27069, EL27941 and EL29578. A reduction and renewal application was lodged for EL27941 and the licence was renewed for a two year period to expire in October 2018.

A review was completed on all the exploration undertaken on areas outside of the Mount Peake V-Ti-Fe deposit. Based on this review there are a number of targets within the Mount Peake project area which require followup exploration. All data reviewed has been included in previous Annual Reports for EL23074, EL23271, EL27069, EL27070, EL27941 and EL29578.

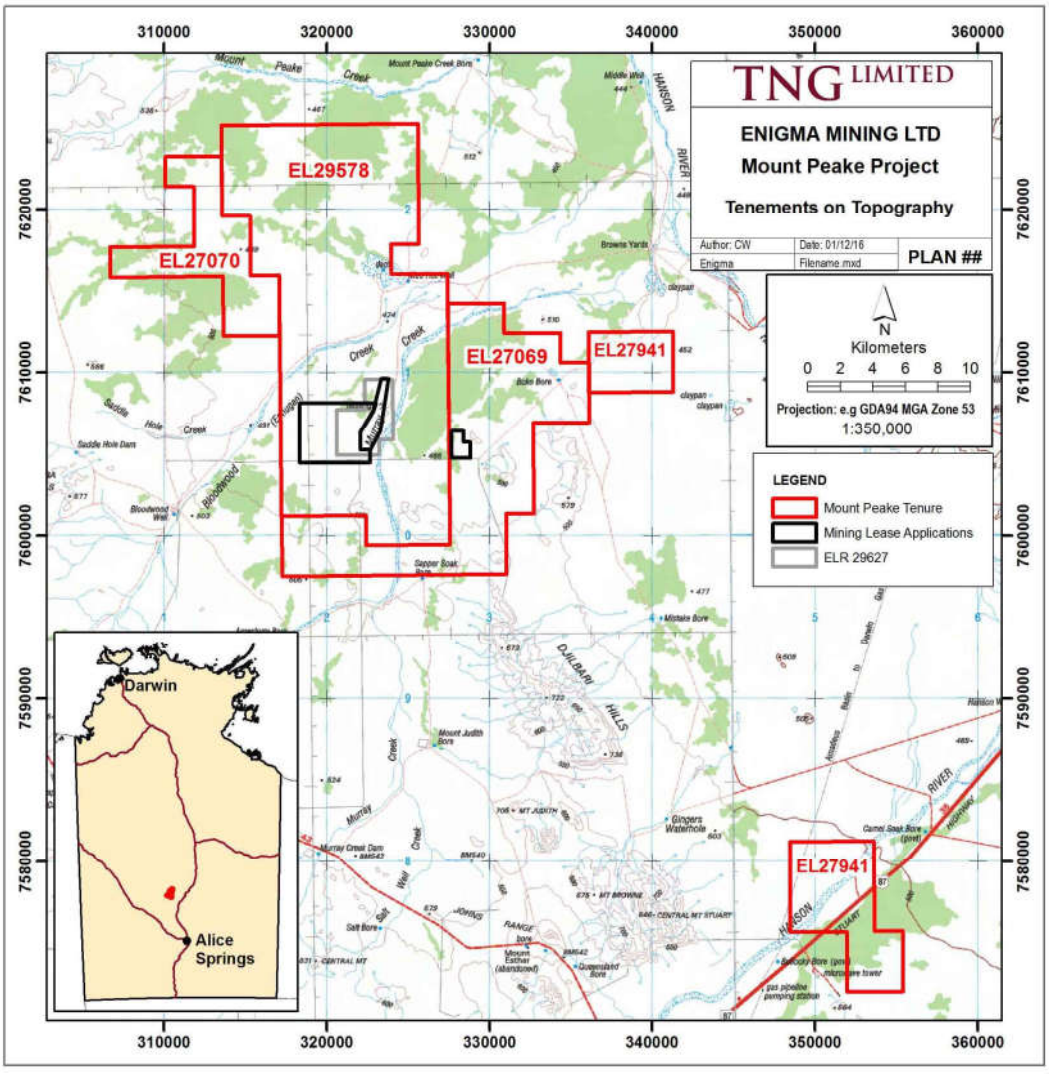

Figure 1: Mount Peake Tenure

2. LOCATION AND ACCESS

The Mount Peake project, is located approximately 220km NNW of Alice Springs in the Northern Territory and covers portions of the Mount Peake (SF53-05) 1:250,000 map sheet. It lies within the Stirling and Anningie Pastoral Leases and is subject to Native Title. The sealed Stuart Highway to Darwin cuts through the south-east corner of the project area (Figure 1) and access within the project area is good with well maintained station and previous exploration tracks.

The LNG gas pipeline runs through the project area and the Darwin to Adelaide railway lies 80km to the east of the Mount Peake Resource.

Exploration access to the area has been granted by the CLC and Traditional Owners, and Authorisation 0908-01 is currently in place.

3. TENURE

The Mount Peake project area currently comprises four exploration licences (EL 27069, EL 27070, EL 27941 and EL 29578; Figure 1, Table 1). An Exploration Licence in Retention (ELR 29627, granted 17/12/12) an additional exploration licence (EL30483) and four Mining Lease Applications (ML 28341, ML 29855, ML 29856 and ML 30686) complete the project tenure. All tenements are 100% held by Enigma Mining Ltd.

Exploration licence 27941 was reduced from 39 blocks to 19 blocks (Figure 2) during the reporting period and the licence was renewed for a period of 2 years through to 19 October 2018.

This report covers work only on the Exploration Licences (EL's) within the Mount Peake Project Area (highlighted below).

Table 1: EL Mount Peake Project tenement details.

TITLE	AREA	GRANT DATE	EXPIRY DATE
EL27069	38 blocks	13/08/2009	12/08/2017
EL27070	14 blocks	13/08/2009	12/08/2017
EL27941	19 blocks	20/10/2010	19/10/2018
EL29578	83 blocks	08/08/2012	07/08/2018
ELR29627	1194 Hectares	17/12/2012	16/12/2017
EL30483	7 blocks	13/03/2015	12/03/2021
MLA28341	358 Hectares		
MLA29855	1508 Hectares		
MLA29856	164 Hectares		
MLA30686	104 Hectares		

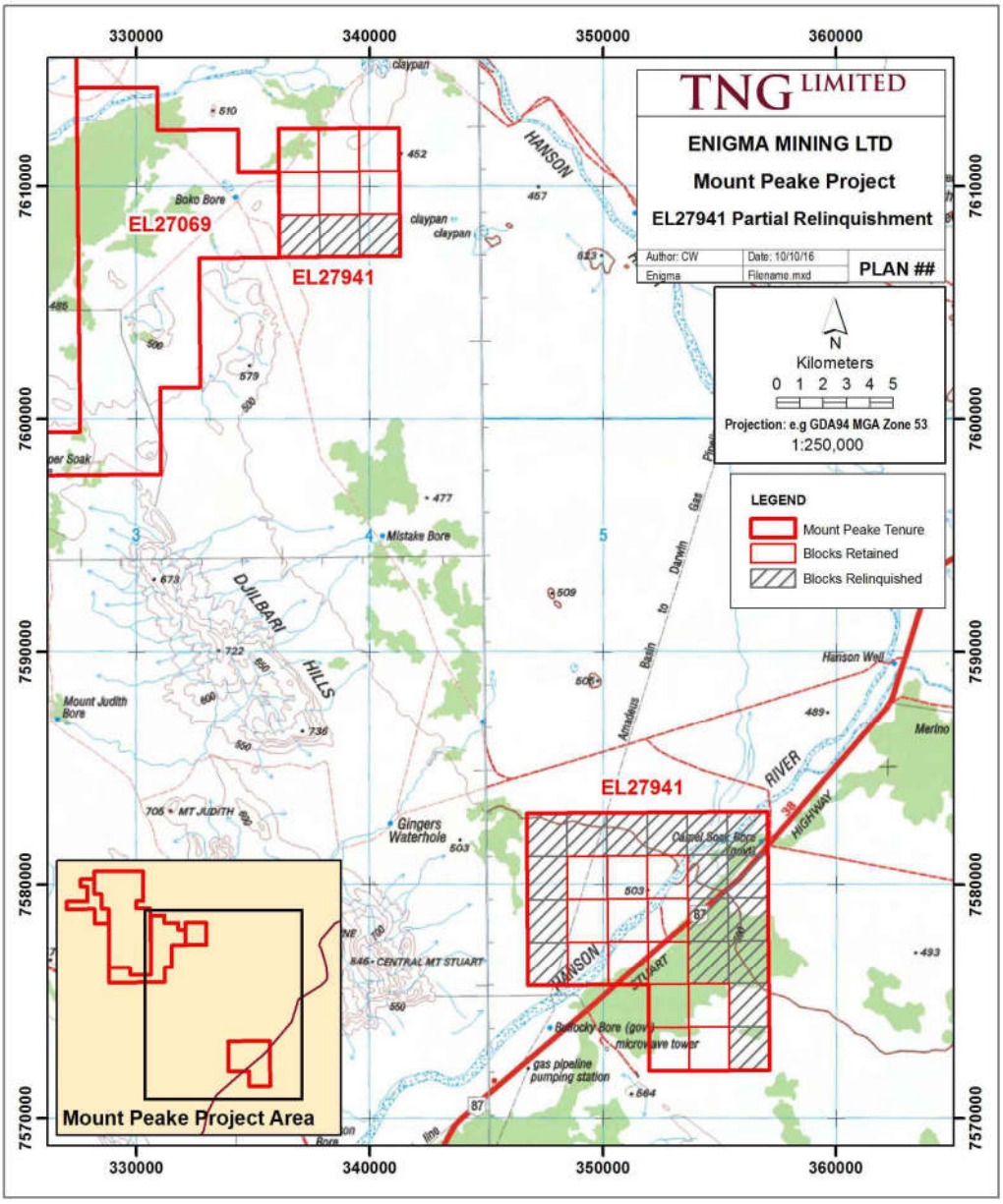

Figure 2: Relinquished blocks on EL27941.

4. GEOLOGY

The Mount Peake gabbro body is located within outliers of Neoproterozoic sediments of the Georgina Basin. The Neoproterozoic sediments rest unconformably on metasediments and granites of the Aileron Province within the Lower Proterozoic Arunta Region. Bedrocks comprise metasediments, granites and metamorphosed basic rocks (Figure 3).

During the Barramundi Orogeny (1890-1850 Ma), the sedimentary units were intruded by mafic rocks which have been deformed and in places metamorphosed to amphibolite facies. During the closing stages of the Barramundi Orogeny granite plutons intruded rocks of the Arunta Province.

The mineralised Mount Peake gabbros are part of a 10x20km NW trending sill or sill complex (interconnected sills at different stratigraphic levels) named the Murray Creek Sill. Judging from the magnetic images at least two more sills/sill complexes are present in the eastern part of the region. The Murray Creek Sill comprises gabbros, olivine gabbros, and leucogabbros with magnetite rich olivine gabbros near the top of the sill.

Where the basal contact to the sill has been intersected in the stratigraphic holes SDDH1 and SDDH2 the thickness of the sill is around 250-300 m, and the mineralised zone must be very close to the top of the sill. Most of the rocks in the sill are only moderately magnetic above the top of the mineralised zone.

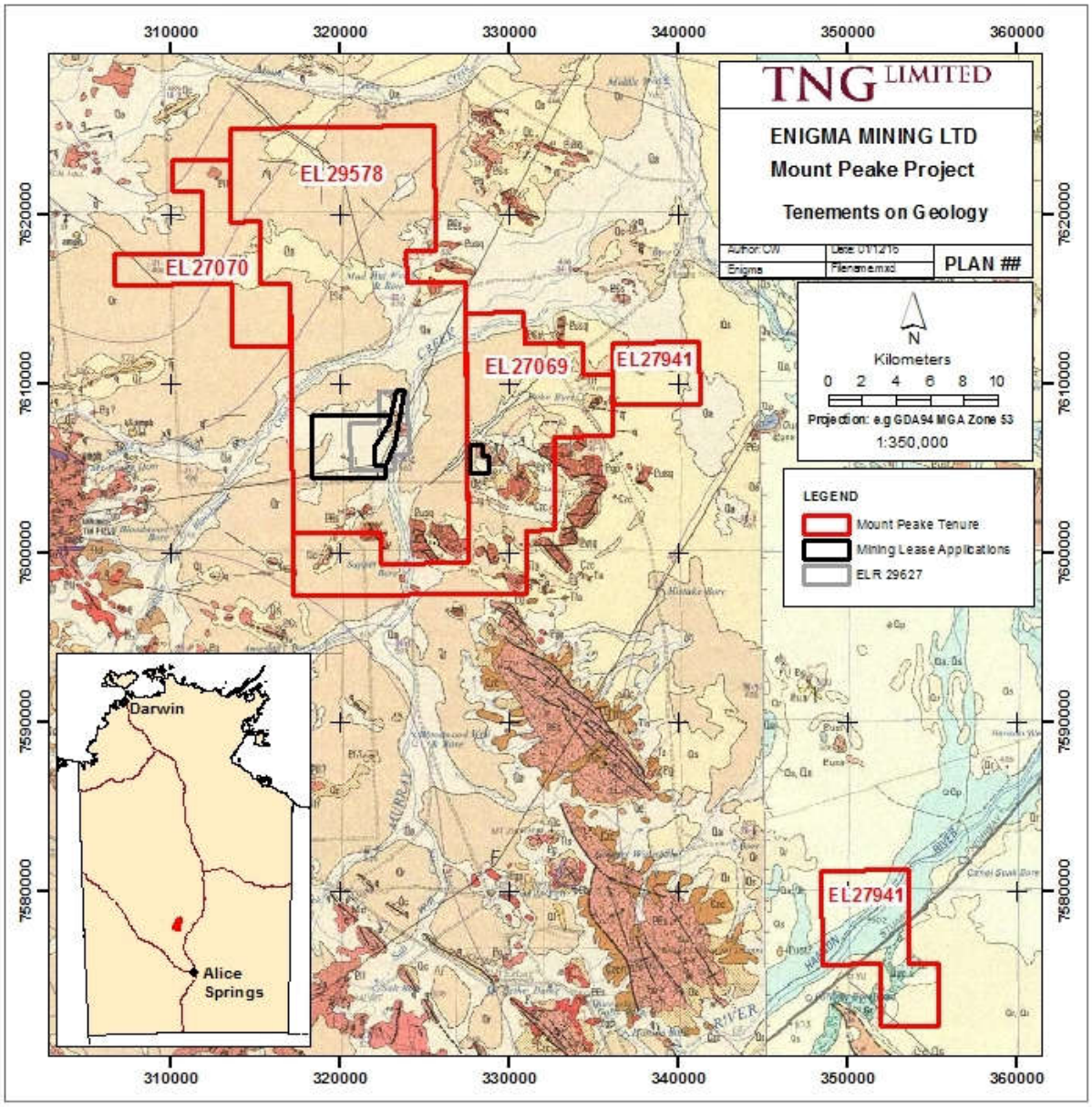

Figure 3: Current Mount Peake Project tenements on 250K geology (Mount Peake Sheet and Barrow Creek Sheet).

5. PREVIOUS EXPLORATION

The Mount Peake Project area has had little dedicated historic exploration work. The region has been partially explored for a variety of commodities including nickel, gold, copper, iron ore, bauxite and diamonds, with some areas experiencing limited or no work. The following is a brief summary of historic work reviewed to date.

- In the early 1970's CRA conducted Uranium exploration in the area. Work including geological mapping, photo interpretation, air and ground magnetics followed by rotary drilling and borehole logging. CRA resumed exploration in 1979 and over a four year period completed airborne magnetics/ radiometrics, drainage geochemistry, soil and rock chip geochemistry and limited diamond drilling.

- Stockdale Prospecting conducted exploration for diamonds in the Mount Peake region in the late 1980's. No significant kimberlitic indicators were apparent in the area.

- Between 1991 and 1997 WMC completed work focused on gold exploration that included data compilation, surface geochem sampling, XRD analyses, geological/regolith mapping, gravity surveys, airborne magnetics/ radiometrics, IP/TEM surveys and ground magnetics. Anomalies were then followed up with an Auger/ RC drill program.

- In 1997 WMC optioned the ground to Aberfoyle who completed further rock chip sampling, soil sampling and vacuum drilling on the properties. Aberfoyle withdrew from the J.V and WMC surrendered their properties in 1998.

- A garnet/magnetite skarn occurs in the centre of EL23074. This is known as the "Murray Creek" Iron prospect and was drilled by CRA in 1982.

- On the 21st of October 2002, Falconbridge (Australia) entered into a Joint Venture (JV) agreement with Tennant Creek Gold (NT) Pty Ltd. This agreement would provide Falconbridge a 60% share in EL 23074 by expenditure of $800,000 over four years.

- Falconbridge, commissioned Fugro Airborne Surveys, Perth to conduct a 3814 line kilometer GEOTEM (25Hz, 4Ms) airborne electromagnetic survey (AEM) in the region, This was focused on the highest priority target areas. This survey covered EL 23074 in its entirety with coverage totalling 742 line kilometers. The results highlighted six targets on EL 23074 that were recommended for follow-up including ground EM surveys and drill testing.

- On the 15th of October 2003 Falconbridge Ltd entered into agreement with Discovery Nickel Ltd (DNL). DNL's exploration approach relied heavily on airborne electromagnetic (AEM) surveying, followed up by ground EM to define targets. After analysis of the Falconbridge AEM results, DNL commissioned a ground EM (SMARTEM) survey focussing on the highest priority target areas.

- DNL did investigate, model and drill (ARD02) a significant aeromagnetic anomaly Target J-1, located on EL 23074. The hole (ARD02) was drilled 70°/270° to a depth of 150.6m. It is unclear why the hole ended at that depth as the modelling suggested the depth to target was approximately 200m. The target source therefore remained unexplained. DNL reported that this proved to be a massive magnetic gabbro, and of no economic interest.

5.1 Exploration by TNG

TNG Ltd took control of exploration in 2007 and has progressed the project to it's current state. During that time the company has increased its landholding in the area with the aim of assessing the entire region for the presence of additional Fe-V-Ti deposits, and exploring the Cu and Ni potential of the Mount Peake region.

2007:

- TNG remodel the high resolution magnetic feature that was drilled showed dimensions of 4km x 1km, suggesting potential that the gabbro body is extensive.

2008:

- Results reveal high quantities of Iron, Vanadium and Titanium within the Magnetite. Davis Tube Recovery show significant results of: 1.2% V_2O_5, 56% Fe, 17% TiO_2.
- TNG complete a detailed ground gravity survey showing a large anomaly offset from the magnetic feature indicating additional Hematite potential.

2009:

- TNG complete drill programme to define extent of magnetite mineralisation. The Mineralised Zone commences at shallow depths (>40m) and is currently 1.3km in strike length, 500m wide and up to 80-120m thick.
- JORC resource defined from drilling of 107mt@ 0.4% V_2O_5, 40% Fe. Estimated deposit size is >500mt.
- Metallurgical testwork produces high grade V_2O_5 concentrate.
- Initial Scoping Study completed concludes positive economics, based on recovery of vanadium only.
- RC drilling determined the extension of the mineralised zone to at least 3000m in strike length.
- Additional exploration licences EL27069 and EL27070 were granted.
- Drilling to test layered mafic intrusion completed – minor layering and sulphides noted.
- Heli-borne aeromagnetic/radiometric surveys revealed previously unknown uranium anomalies adjacent to the Mount Peake vanadium deposit. Further work has not yet been undertaken.
- Two further ELAs lodged to take TNGs landholding to over 2000km^2.

2010:

- Average metallurgical concentrate grade continues to exceed 1% V_2O_5.
- JORC Resource of 140mt@ 0.3% V_2O_5, 5.9% TiO_2, 29% Fe at a 0.1% V_2O_5 cut-off.
- Metallurgical testwork achieves high V_2O_5 recovery of 85-97%.
- A new hydrometallurgical process, jointly developed by TNG and Mineral Engineering Technical Services Pty Ltd (METS) successfully recovers the three main commodities (V, Ti, Fe) from the ore.
- A joint patent application was submitted to protect the invention and allow commercialisation at a later date.
- Positive interim results were received for the Mount Peake scoping study. Fe recovery 71-75%, V recovery 91-95%, Ti recovery 75%.
- Northern extension to the present 9km linear magnetic anomaly at Mt Peake is interpreted to contain magmatic feeder zones, which may contain Ni, Cu and PGE's.
- Detailed assessment of airborne GEOTEM has identified a further 35 late-time, intermediate to strong conductive features recommended for further work.
- Copper gossan discovered in ultramafic package. Initial Niton results returning 4-24%. Subsequent assaying returned values of up to 6.07% Cu.

2011:

- The hydrometallurgical process for extracting vanadium, titanium and iron from titanomagnetite ores has been successfully trialled on other titanomagnetite vanadium deposits within Australia.
- Positive Scoping Study completed by Snowden Mining Industry Consultants confirms the Project's technical and financial strength.
- Production to commence at 2Mtpa increasing to 5Mtpa after three years over a 24 year mine life.
- A subsequent scoping study was commissioned to investigate the effect of producing a ferrovanadium product (FeV), as a further value-add to the vanadium pentoxide concentrate produced.
- Evaluation of feasibility and pilot plant options is underway.
- Diamond drilling results confirm large continuous iron-vanadium zone at Mount Peake, results of up to 0.6% V_2O_5, 10% Ti and 36% Fe.
- An updated Indicated and Inferred JORC Resource incorporates the results of diamond and RC drilling carried out during 2011.
- Total resource 160Mt grading 0.3% V_2O_5, 5.0% TiO_2 and 23% Fe.

2012:

- Outstanding analytical results received from initial continuous-run pilot plant testwork programme.
- Pre-Feasibility Study completed in July 2012.
- Regional drilling of large magnetic features in the Mount Peake project area confirms two more, large magnetite-rich gabbro bodies opening up the potential for a substantial increase to the current JORC resource.
- Additional RC and diamond drilling undertaken to extend and upgrade the existing resource.
- Metallurgical testwork commenced on core.
- Hydrometallurgical pilot plant trial set to commence with CSIRO in June 2013.
- Regional RC drilling of magnetic anomalies on EL29578, EL27069 and EL 27941.
- Five HELITEM transects flown over areas of interest.
- Reanalysis of drill core from ARD01.
- Completion of the Pre-Feasibility Study by SKM, and progression to DFS.
- RC drilling - 59 RC holes drilled for 7168m to upgrade and extend existing resource.
- Diamond Drilling - 14 PQ diamond holes drilled for 1892m to provide bulk samples for metallurgical testwork and pilot plant studies.
- Petrography - 11 samples of drillcore sent for petrographic analysis.

2013:

- Mapping and sampling of east, west, southwest, north and northeast magnetic targets.
- Drill programme planned to follow up on target areas.
- Rehabilitiation of 2012 regional drillholes.

2014:

- Regional magnetic target drilling on EL 27069 and EL 29578. Twelve RC holes for 1319m across five target areas.
- Graphite drilling at targets G34 (EL 27069) and BCG1 (EL 27070).
- Rehabilitation of all drilling to date.

2015:

- Completion of DFS for the proposed Mount Peake mine.
- Lodgement of minesite EIS with the NT EPA.
- Reconnaissance trips to determine the location of infrastructure associated with the planned Mount Peake mining operation.
- Rehabilitation of eroded tracks and subsidence affected drillholes.

6. TNG EXPLORATION AND ACTIVITIES 2016-2017

Limited exploration was undertaken across the Mount Peake Project Area during 2016 as the main focus was on the completion of work necessary to lodge the supplement to the minesite EIS. The majority of this work has been attributed to ELR29627, which is not included as part of the Mount Peake group reporting.

Table 2 outlines the exploration carried out on the Mount Peake group reporting tenements from 18 February 2016 though to 17 February 2017. Each of the table entries are discussed further in the sections below.

Table 2: Summary of exploration on licences which make up the Mount Peake project.

ACTIVITY	TITLES	COMMENTS
Reduction	EL27941	Reduction and renewal of EL 27941. Retained targets for further investigation.
Rehabilitation	EL27069, EL27070 EL29578	Monitoring of drillholes, tracks and campsites.
Exploration review	EL27069, EL27070, EL27941, EL29578	Review of existing targets with a view to additional exploration and reduction of licence areas.

6.1 Reduction and Renewal

As per section 29(3) of the *Minerals Titles Act* a reduction of the title area was undertaken in conjunction with a renewal application for EL 27941 at its anniversary date in October 2016. A summary of exploration undetaken across the licence is included below are target areas have been retained for further exploration.

6.1.1 Year 1

Exploration Licence 27941 was granted to Enigma Mining Limited (Enigma) on 20 October 2010. Exploration carried out on EL 27941 during the reporting year was mainly of a regional nature. A full literature review was carried out on the previous exploration in the area and a review of the regional geophysics and modeling of data resulted in drill targets being identified.

6.1.2 Year 2

During the period April 18-28, 2012, TNG drilled eight RC holes totalling 1266m (Figure 4) to assess regional magnetic anomalies. One hole each was drilled on the Eastern Bullseye Anomaly and Highway anomaly within EL 27941. A ninth proposed hole at the Highway anomaly was not drilled.

The Eastern Bullseye target is located on a bend in a long narrow linear magnetic high. The magnetic interpretation suggested a steeply dipping magnetic body, and as the interpreted magnetite concentrations appeared to be below the levels required for a Ti-V ore body, it was thought possible it could be a serpentinised ultrabasic intrusion/ dyke and as such be a Ni sulphide target.

The magnetic susceptibility is lower than for the mineralised Murray Creek holes, but much higher than any of the other holes drilled in April 2012. The Ti grades are marginal to uneconomic and between 116 and 166 m the V grades are marginal.

A large magnetic high in the SE corner of the tenement (Highway anomaly) was interpreted as a vertical dipping body with a magnetite content around two percent. This was tested by hole 12MPHWRC001 and intersected granites all the way to 180m.

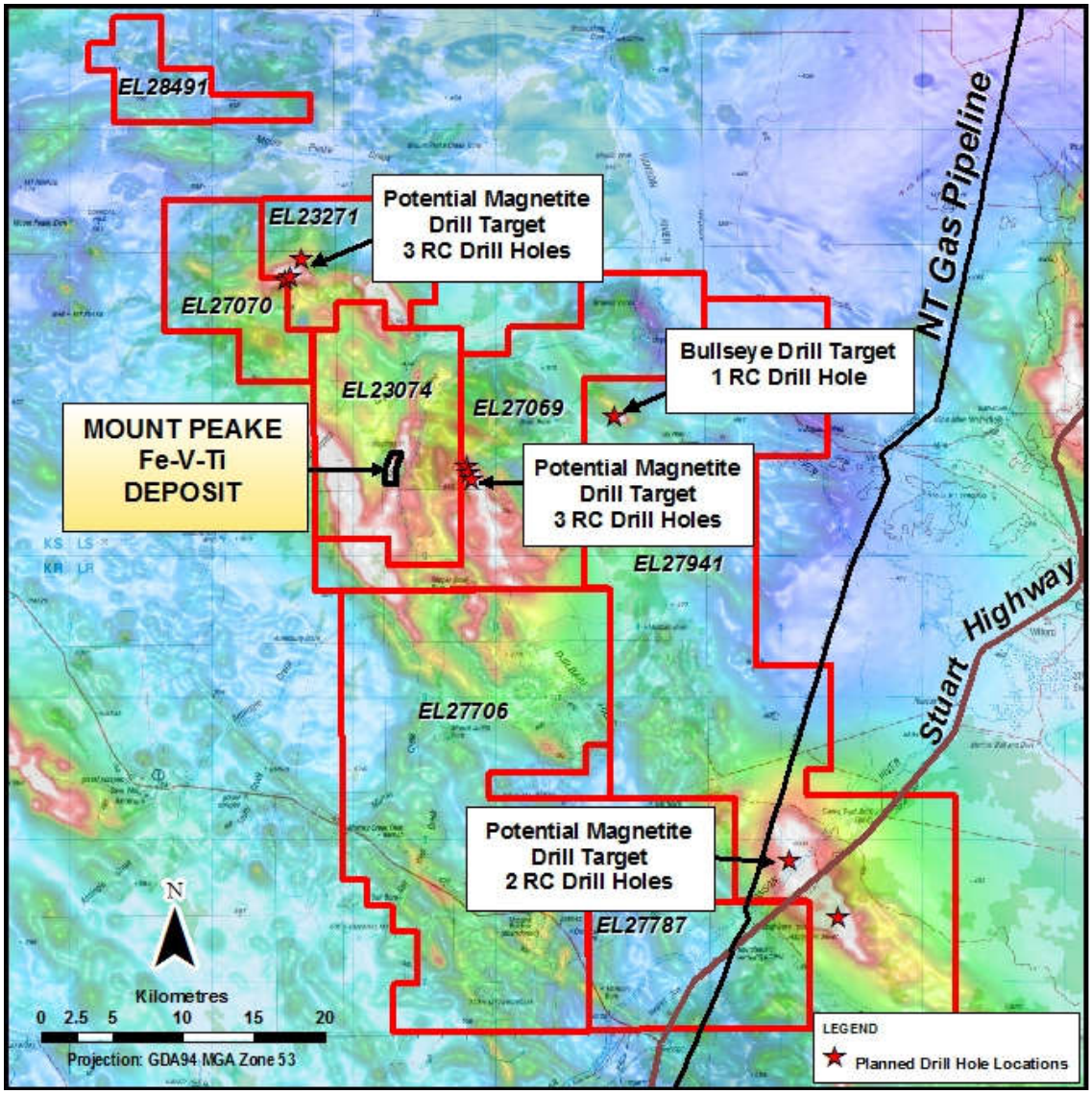

Figure 4: Mount Peake regional drillhole locations.

6.1.3 Year 3

A rehabilitation programme was carried out across the Mount Peake project area in April 2013. Removal of sample bags, grading and tidying of sites, and hole plugging was undertaken at all regional drill sites, drilled in the April 2012 RC drilling programme including the Bullseye and Highway Anomaly drillsites.

In July 2012 approval was received for the Mount Peake Expenditure Project Area of which EL 27941 is a part. The submitted expenditure covenants are project-wide rather than licence specific.

6.1.4 Year 4

A significant reduction in the area of EL 27941 took place prior to the fourth anniversary of the licence. The licence was reduced from 208 blocks to 39 blocks. Areas of interest were retained for the completion of further work.

6.1.5 Year 5

During the reporting year the transport corridor and minesite, campsite and rail siding MLA's were cleared by the CLC.

Reconnaissance trips with specialist contract staff have been undertaken along the proposed route of the haul road (within the transport corridor) to assess the geology and topography. Particular focus was placed on the haul road route as it crosses the Hanson River and the Stuart Highway (underpass) on the southern edge of EL 27941 (Figure 5).

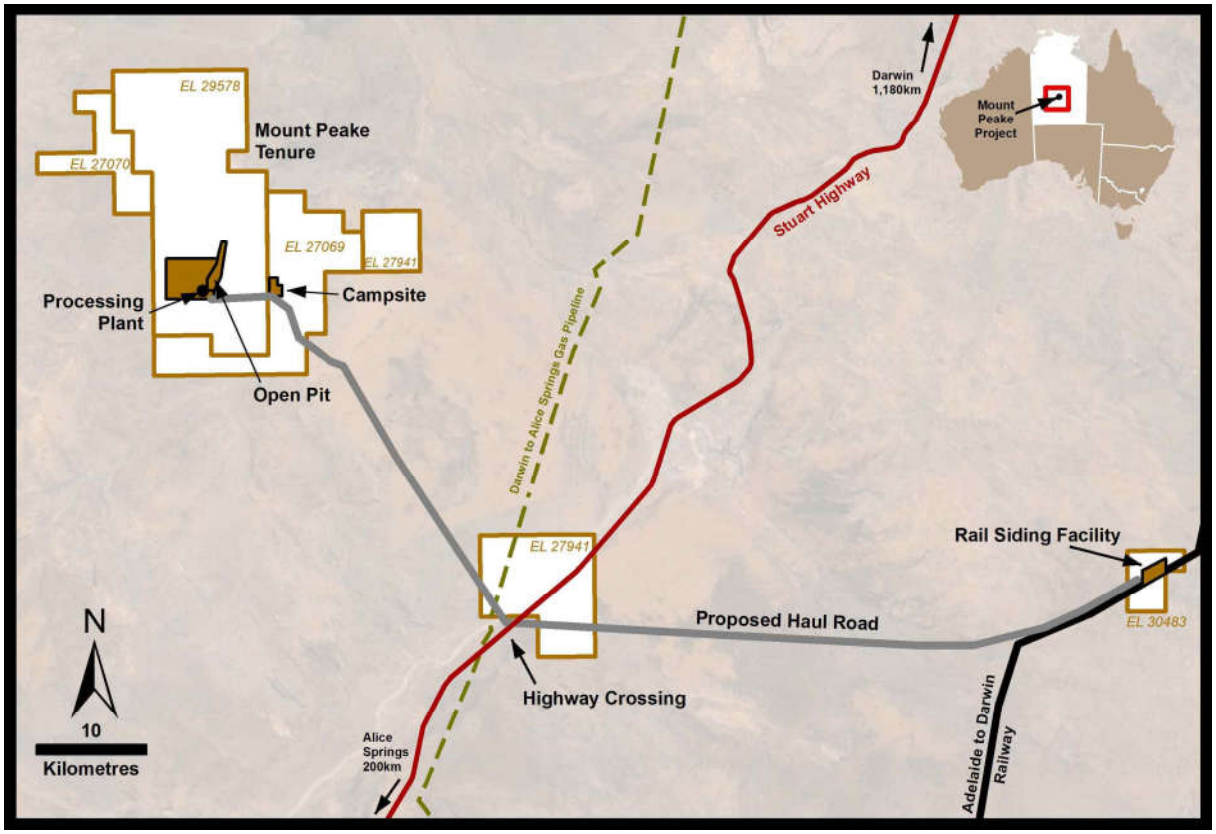

Figure 5: Location of proposed haul road through EL 27941.

6.1.6 Year 6

A review of target areas within the Mount Peake Project Area was carried out. The stratigraphy in drillhole 12MPBERC001 is similar to the stratigraphy in the Murray Creek Sill (Mount Peake resource), but the grades in the mineralised zone are lower. Due to the orientation and thickness of the body it is possible it is a feeder dyke to the sills in the area. Geophysical and drill data will be assessed in more detail to determine whether there are likely to be shallower or more magnetite rich parts of the intrusion in the vicinity of the drill hole and whether more drilling is warranted.

6.2 Rehabilitation

Six monitoring stations were set up during the early stages of the project (2009) to monitor track access to the resource area and rehabilitation of drill sites (Table 3). These sites were visited and photographed during March 2016 and as rehabilitation has been successful will no longer be monitored. Six additional monitoring sites have been set up at sites visited by the DPIR (then DME) in June 2015. Three of these sites fall within EL 27069. These sites were also photographed in March 2016. No additional drillhole or site rehabilitation is specifically required at any site, though regrowth of vegetation and erosion along access tracks will continue to be monitored. Monitoring photographs from sites 7, 8 and 9 are included in Appendix 1.

Table 3: Monitoring stations within the Mount Peake project.

Mount Peake Project – Environmental Monitoring Stations				
Station	**Easting**	**Northing**	**Ten-ID**	**Description**
1	322553	7605705	ELR29627	Drill site 09MPRC001 drilled February 2009 and access track.
2	322696	7607003	ELR29627	Drill site 09MPRC002 drilled February 2009.
3	322612	7606505	ELR29627	Drill site 09MPRC003 drilled February 2009 and 09MPDD01 drilled November 2009.
4	322657	7606204	ELR29627	Drill site 09MPRC004 drilled February 2009 and 09MPDD02 drilled November 2009.
5	322951	7607399	ELR29627	Drill site 09MPRC014 drilled October2009.
6	323000	7606200	ELR29627	Drill site 09MPDD001 drilled October2009.
7	328210	7605569	EL27069	Access track between 12MPBFRC002 and 12MPBFRC003
8	328129	7605785	EL27069	Access track between 12MPBFRC002 and 12MPBFRC003
9	328375	7605400	EL27069	Drill site 12MPBFRC003, drilled April 2012.
10	322662	7606500	ELR29627	Drill site 12MPRC082, drilled November 2012.
11	322900	7607400	ELR29627	Drill site 12MPRC102, drilled November 2012.
12	322800	7607100	ELR29627	Drill site 11MPDDH09, drilled June 2011.

Three camp sites have been used in the Mount Peake project area since TNG started field exploration in 2009. Site 1 (EL29578) was use for the 2009 drilling programs for a combined period of 5 weeks in the 2011 drilling program for a period of 2 weeks and in the 2012 drilling program for a period of 8 weeks. Camp site 2 (ELR29627) was used in the October/November 2009 drilling program for a period of 2 weeks and camp site 3 (EL27070) was occupied for 5 days for the October 2010 program.

Camp sites are selected in cleared areas large enough to accommodate a caravan and support vehicles. All waste is removed from site and disposed of in the Ti Tree waste disposal facility; no rubbish is allowed to be burnt onsite. Photographs of campsites 1 and 3 were taken in March 2016 and are included in Appendix 1. Campsite 3 will no longer be monitored but will be included as part of overall site inspection and project audits.

Table 4: Camp site monitoring within the Mount Peake project.

Mount Peake Project – Campsite Monitoring Stations				
Site	**Easting**	**Northing**	**Ten-ID**	**Description**
1	323495	7604612	EL29578	Main campsite
2	323184	7608065	ELR29627	Rehabilitated – No longer used or monitored
3	310144	7623033	EL27070	Rehabilitated – No longer used or monitored

6.4 Regional Exploration Summary

The section below summarises the work done across the regional Mount Peake Project area within EL 23074 and EL 23271 (now amalgamated to EL 29578), EL 27069, EL 27070 and EL 27941. Exploration and drilling work undertaken to delineate the current Mount Peake resource is not included below.

6.4.1 Geophysical Reviews

A review of all airborne electro-magnetic data flown over the Mount Peake area by TNG's previous J.V. partners Discovery Nickel commenced with the acquisition of the original GEOTEM data flown by Fugro Airborne Surveys in 2003. Conductors had been identified by Discovery Nickel from this survey.

A full reassessment of the data was carried out and a significant basement conductor BGC-1 was named as the target previously identified to the north of B-1 (Figure 6), but not drilled. Modelling was completed by Dave McInnes from Montana GIS and the target was identified as having a time constant of 30-40 msec and strikes of approximately 800m at a depth of 120m (Figures 6 & 7).

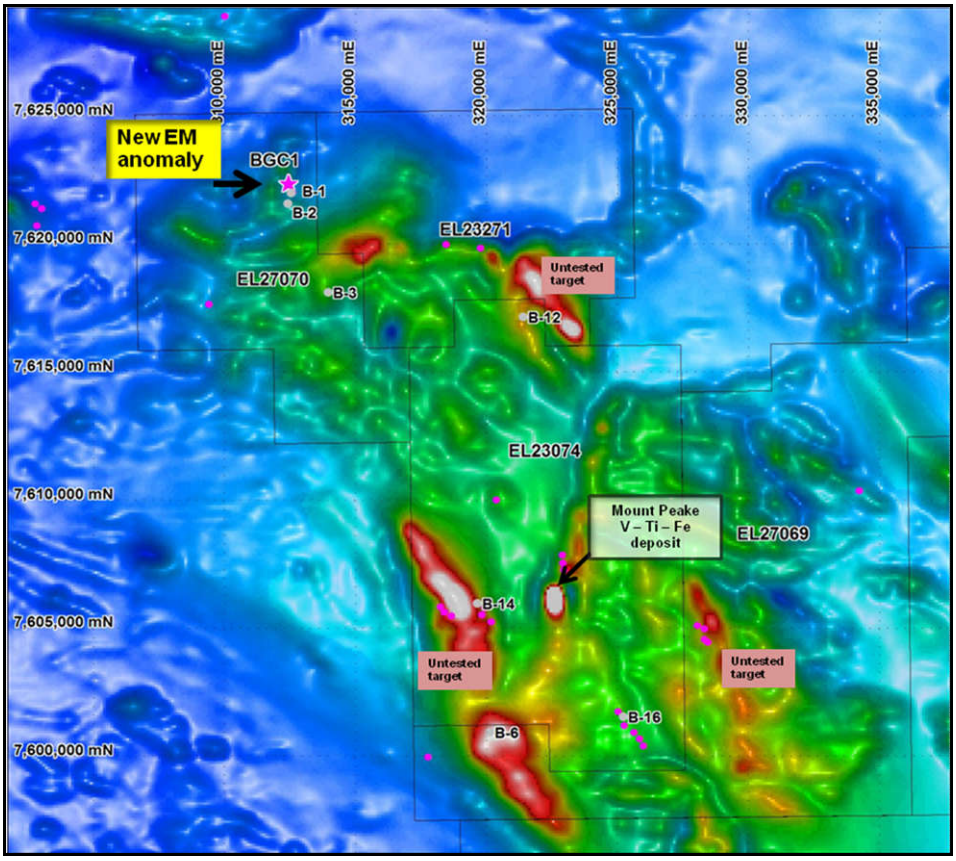

Figure 6: Location of BGC-1 anomaly.

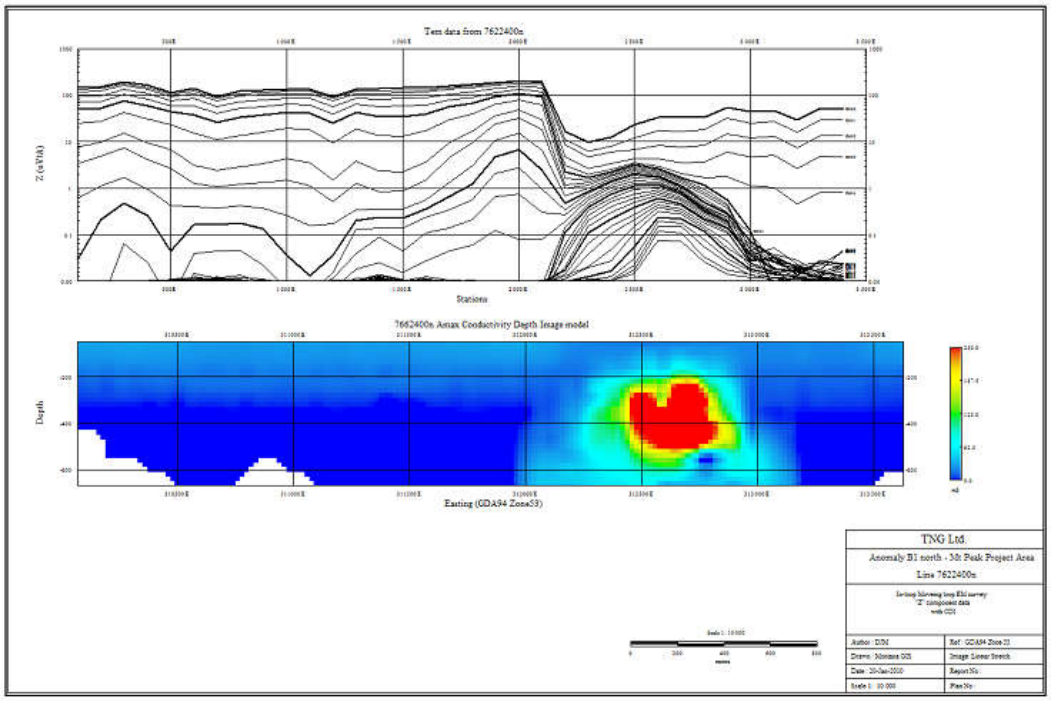

Figure 7: EM profile of the 'BGC-1' anomaly with Conductivity-Depth Image model. The image displays the high conductivity of the basement anomaly source.

Montana GIS also remodelled the regional magnetic data over the Mount Peake project area. The data displays a complex magnetic high-zone enveloping several magnetic anomalies of greater than 3000 nano-Tesla. Most of the modelling has been done using a merge of the NTGS data with the magnetic component of the GEOTEM survey completed by Fugro Airborne Surveys in January 2003.

Three principal magnetic domains (Figure 8) were identified as requiring futher detailed work. Nine holes were proposed to test the targets (Figure 9).

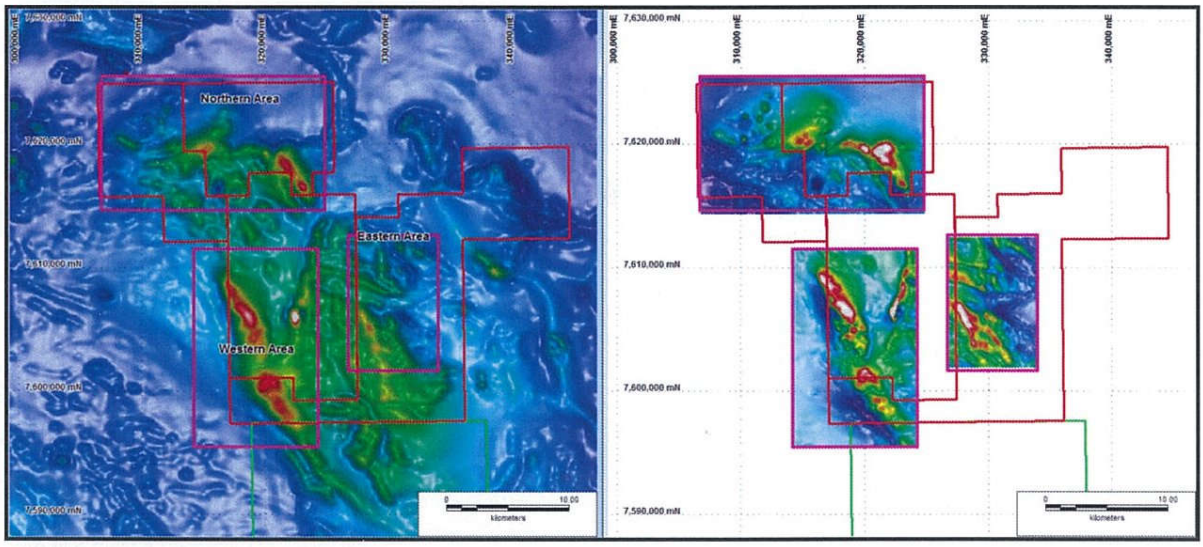

Figure 8: Principal magnetic domains identfied from the regional magnetic data review.

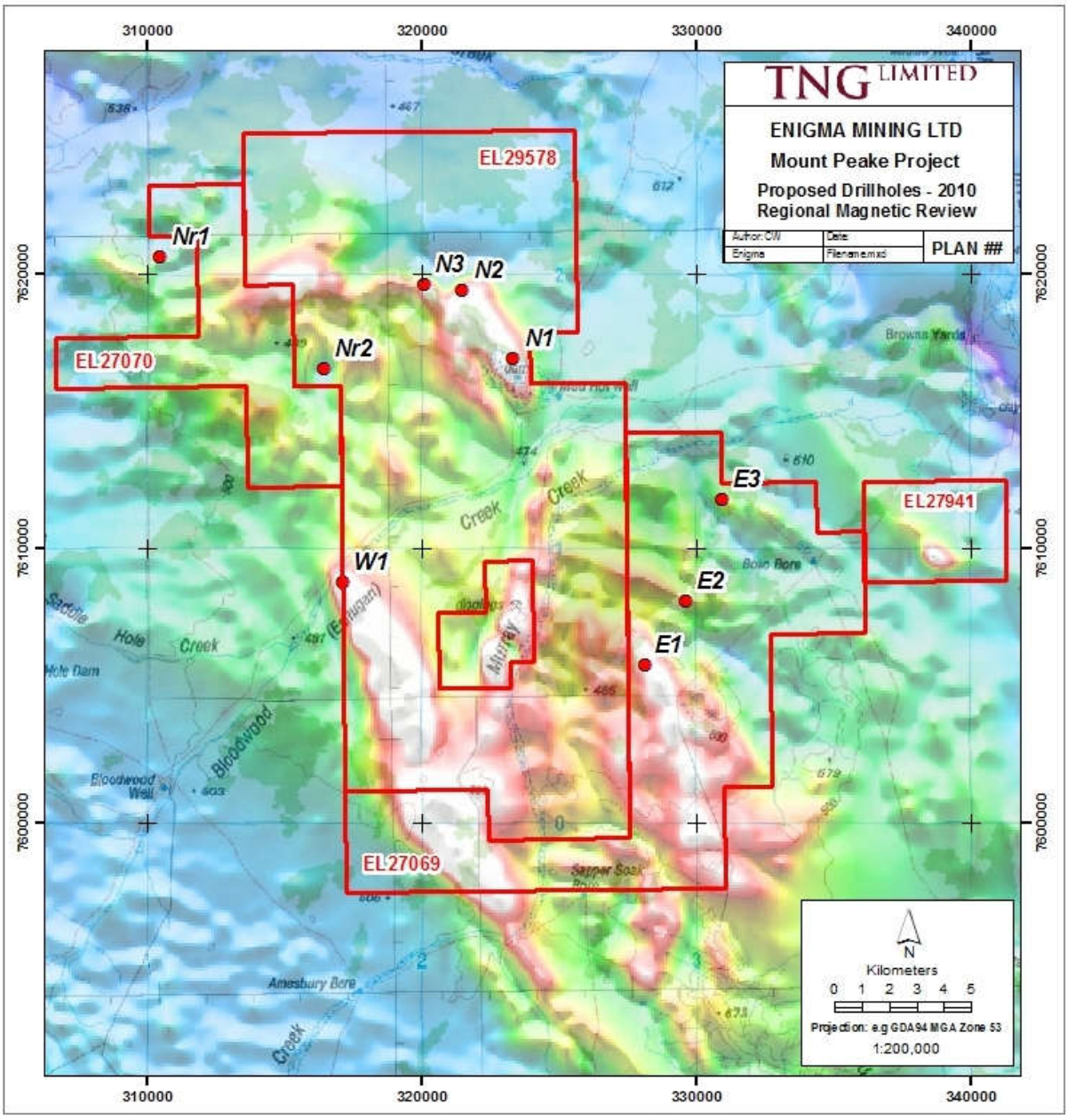

Figure 9: Drillholes proposed to test the regional magnetic targets.

The northern magnetic model area is a complex zone with some significant magnetic anomalism. Five drill holes were proposed to test the northern magnetic targets. Drill holes N1-N3 are all targeting bodies sourcing the high-intensity complex magnetic area to the north of the Mount Peake anomaly. Of these, N1 is targeting the source body that has been modelled with the highest magnetic susceptibility. The Nr1 and Nr2 drillholes are targeting the source of a significant remanent magnetic anomaly.

One drill hole was proposed within the western domain. The hole falls on the western boundary of EL 23074 and is designed to test the deep source of the moderate amplitude magnetic anomaly to the west of the intense Mount Peake anomaly.

Three drill holes were proposed for the eastern area. The magnetic anomalism and susceptibilities are not as significant in this area as the western and northern areas therefore these holes are lower priority drillholes.

A review of the airborne GEOTEM was carried out by Planetary Geophysics and Southern Geoscience Consultants during 2010.

Mike Sexton at Planetary Geoscience identified thirteen late-time, intermediate to strong conductive features in the GEOTEM data (Figure 10). These features may be reflecting variations in weathering or cover conductivity and/or depth, alteration, or the presence of massive sulphides.

One of these features, AEM-1, a strong late-time conductor (Figure 10) coincides with anomaly B-3 identified by Discovery Nickel.

It was recommended that each of these features be reviewed on the basis of known geology, geochemistry, regolith and drilling. Features that cannot be accounted for should be surveyed by IP to ascertain whether or not there are any associated sulphides.

Ben Jones from Southern Geoscience Consultants identified 35 targets from the review (Figure 10). G34 is classified as high priority target along with G9 which coincides with the BGC-1 anomaly. G10, G13 and G24-33 were identified as moderate priority anomalies to be followed up with a ground based EM survey. M1 was identified as a discrete, circular negative magnetic anomaly possibly representing a pipe-like structure.

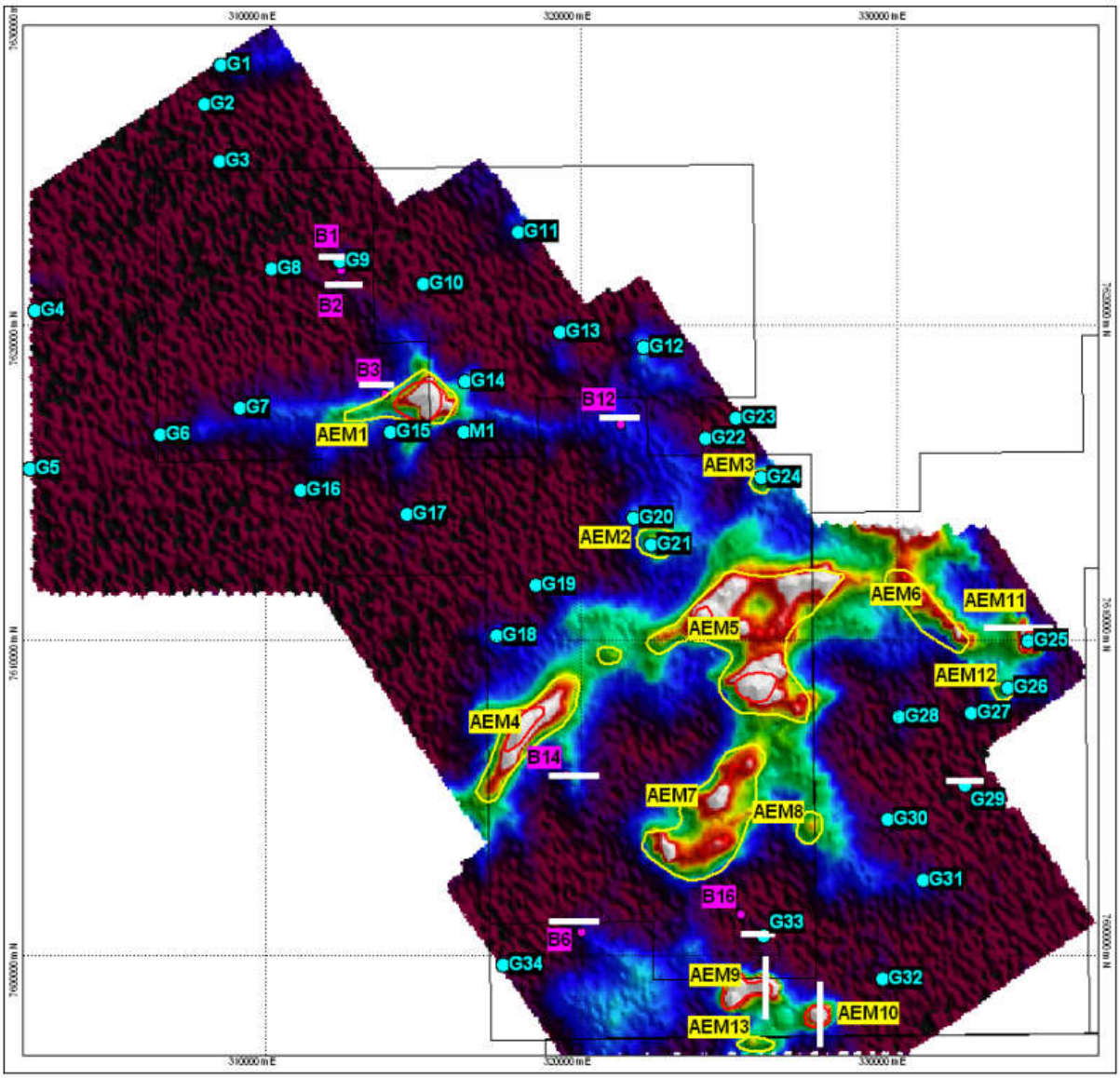

Figure 10: Anomalies identified from review of GEOTEM data. AEM anomalies, Planetary Geophysics. G anomalies, Southern Geoscience.

A gravity survey was completed across M1 identifying a small gravity response worthy of drill testing. The combination of an associated negative magnetic response makes this gravity anomaly a high priority target.

As a result of time, money and access constraints ground EM was only carried out over G34 and G10. Drilling was proposed to test both EM targets with G34 being a slightly higher priority.

6.4.2 Drilling of targets BCG-1 (G9), G34 and M1

BGC-1 (G9) Target

An RC hole (BGC001), was drilled for 306m into the BGC were completed at the G9 Prospect in October 2010.

BGC001 was drilled at -65° in order to intersect a magnetic conductor in the range of 160-200m. No significant change in lithology was identified until 244m where a graphitic schist appeared and continued until 286m. Drilling ceased at 306m after the initial quartzite/schist reappeared. Analyses of samples through the graphitic schist present in BGC001 show highest values of Cu, Pb and Zn on the boundary of the quartz-mica-schist and the graphite-schist. During 2012 samples of the core were reassayed for carbon with positive results.

A second hole, BGC002, was drilled into copper rich rocks cropping out near a prepared pad. The outcrop contained visible malachite and associated Cu sulphide minerals within a large refolded steeply plunging quartzite unit. The drillhole dipped at 55° (the shallowest the rig could manage) towards 045° aiming directly at the gossan. The aim was to drill through the hinge of the fold at depth. Samples analysed from BGC002 represented the top weathering zone, two quartz intervals and a bottom zone of ultramafic rocks. The top weathering zone consisting shows high values of As, Co, Cu, and Pb. Cu values over the top five metres peaked at 354ppm and may be as a result of the nearby Cu-rich outcrop. No other significant results were reported.

G34 Target

A single RC drill hole (11G34RC001) was completed at the G34 Prospect in July 2011. The aim of the programme was to test the occurrence of a moderately-strong, mid-late time GEOTEM anomaly identified from geophysical review in 2010. A total of 20 samples including one standard were transported from site to ALS Alice Springs for analysis. The highest Cu result was 544ppm at 178-179m, no other significant results were returned.

M1 Target

Two RC drillholes (11M1RC001A, 11M1RC001) were drilled for 138m at the M1 target in July 2011. The first was abandoned at 48m due to unstable ground. A total of 37 samples including 1 standard were transported from site to ALS in Alice Springs for analysis. The highest Cu result was 531ppm at 63-64m, no other significant results were returned.

6.4.3 Geological Review and Updated Regional Magnetic Modelling

In late 2011 consultant geologist Finn Barrett was contracted to review and analyse the geological data on Mount Peake and produce a comprehensive report on the geology, stratigraphy and styles of mineralisation within the Mount Peake gabbro hosted Ti-V-Fe deposit.

The report concluded that the geophysical data and drilling results show the Murray Creek Ti-V magnetite body is part of a larger sill with other shallow targets. Other sills with Ti-V mineralisation potential are present within TNG's tenements in the eastern and

northern areas. The report recommends that the other large magnetic highs within the tenements be tested as there is likely to be more mineralisation in the area.

Additional geophysical modelling in conjunction with the known geology at the Mount Peake V-Ti-Fe deposit resulted in twelves drillholes being proposed across areas of high magnetic intensity. This was reduced to a programme of nine RC holes (Figure 11).

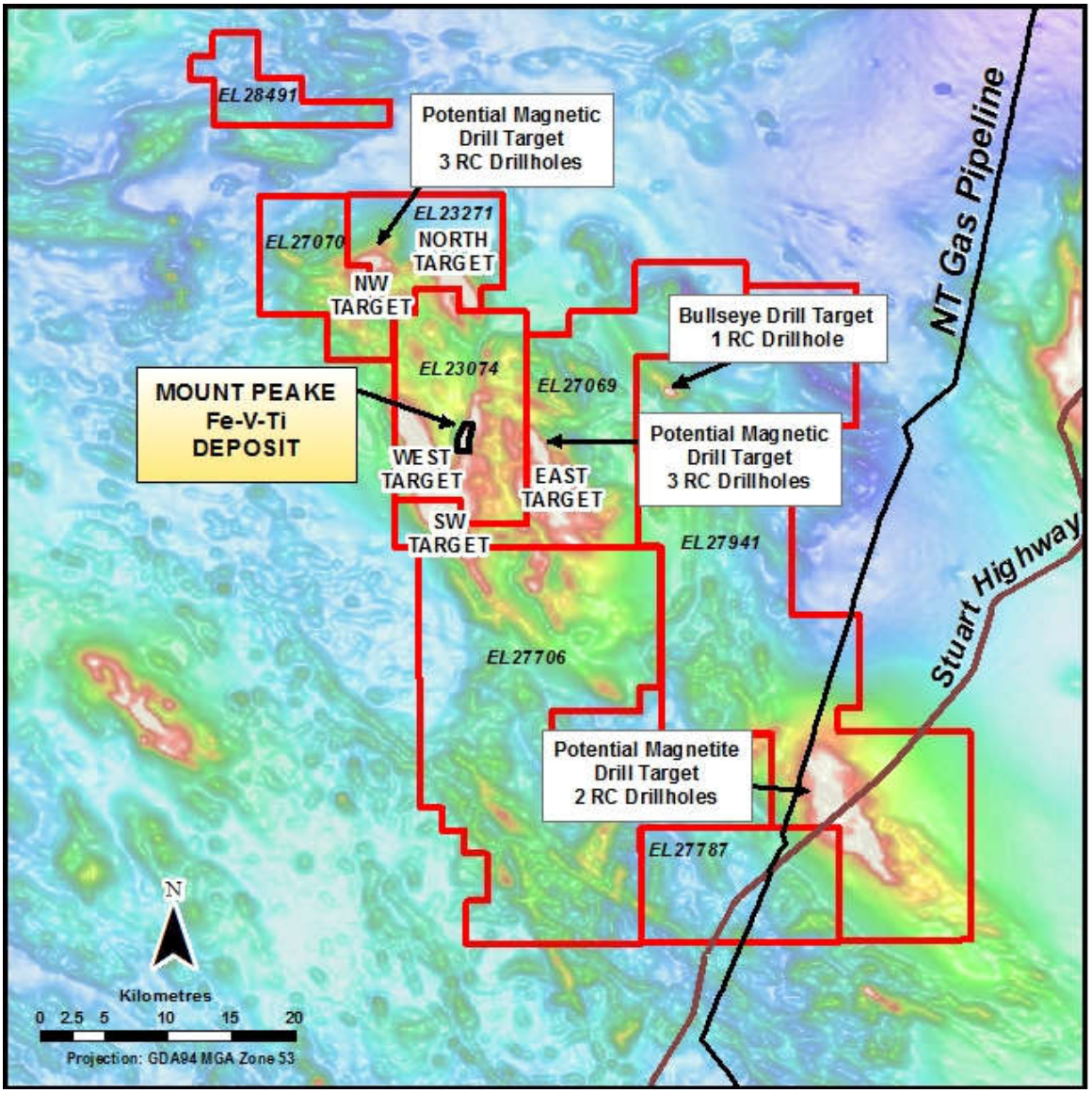

Figure 11: Mount Peake tenure showing drillholes planned over magnetic targets as determined by contract geologist Finn Barrett in 2012 and large magnetic target areas mapped and sampled in 2014 (EAST, WEST, SW, NW and NORTH TARGETS).

6.4.4 Regional Drilling, 2012

In April 2012 eight RC holes, for a total of 1266m were drilled (Figure 11). A ninth proposed hole at the Highway anomaly was not drilled.

The programme was aimed at confirming the presence of additional magnetite-gabbro (the host to the iron-vanadium-titanium mineralisation at the Mount Peake deposit) within very large magnetic features around the existing Mount Peake deposit.

Assay results (Table 5) from two of the assayed holes (12MPBBERC001 and 12MPNRC003) produced grades consistent with those noted at the Mount Peake deposit and provide further encouragement that higher mineralised grades may exist within the magnetic features.

Table 5: Significant analytical results (XRF).

Hole No.	From (m)	To (m)	Length (m)	Grade Fe_2O_3 (%)	Grade V_2O (%)	Grade TiO_2 (%)
12MPNRC003	48	72	24	23.36	0.20	3.00
	104	108	4	23.82	0.17	3.16
12MPBBERC001	130	164	34	21.94	0.20	4.63
Incl.	145	152	7		0.25	5.36
Incl.	159	164	5		0.30	4.60

6.4.5 ARD01 (B1) Resampling

Diamond drilllhole ARD01 was drilled by Discovery Nickel in July 2004 to a depth of 314.4m. Two separate intervals (25m and 17m thick) of graphitic biotite schist with significant amounts of stratabound, semi-massive pyrrhotite and pyrite mineralisation were intersected.

The original analysis completed on drill core from ARD01 did not include carbon. In June 2012 core from ARD01 was resampled and 43 samples were sent to ALS in Alice Springs for analysis for carbon (C-IR07).

Table 6: Best carbon results.

Hole No.	From (m)	To (m)	Interval (m)	Grade C (%)
ARD01	249	263	14	5.33
inc	252	256	4	6.00
inc	260	263	3	6.00

6.4.6 HELITEM Survey

In August 2012 a HELITEM survey was flown by Fugro Airborne Surveys Pty Ltd (Fugro) over several targets within the MPPA and the adjoining Walabanba project licences. Five separate transects were flown over Mount Peake licences EL 23271 (now EL 29578) EL 27069 and EL 27070 (Figure 12) for a total of 74 line kilometres at line spacings of 100 and 200m. The transects were flown over small magnetic targets and other anomalies identified from previous electromagnetic surveys.

<u>Target T1e</u>

This target corresponds with GEOTEM anomaly BGC1/G9 and the transect was completed to compare the historical GEOTEM with the HELITEM data. The transect was flown at 100m line spacing to confirm that the centre of the target had been drilled and to assess whether any other untested conductors were present. The results confirm that the most recent drillhole (BGC01, drilled in October 2010) was drilled into the centre of the HELITEM anomaly on section 7622400N. It also confirms that no other significant late-time conductors are present and the source has been effectively tested. In terms of graphite potential, the conductor appears to have a strike length of 700-800m with a central core zone of 100-200m.

<u>Target T1f and T1g</u>

These targets correspond to medium priority GEOTEM anomalies G10 and G13 respectively. Both targets are only weak mid-time anomalies and are unlikely to be due to anything significant. Field inspection and geochemical testing is recommended for Target T1g.

Target T1h

This transect was flown to cover the historical M1 anomaly (discrete, reversely magnetised response and coincident gravity). Target T1h (Figure 12) was identified on the northeastern limit of the drill tested gravity anomaly, approximately 250m from the vertical drillhole. The hole was drilled to 90m and logged as amphibolite/weathered gabbro with no anomalous assay results. The source of the HELITEM anomaly may not have been adequately tested and a followup drill hole is recommended.

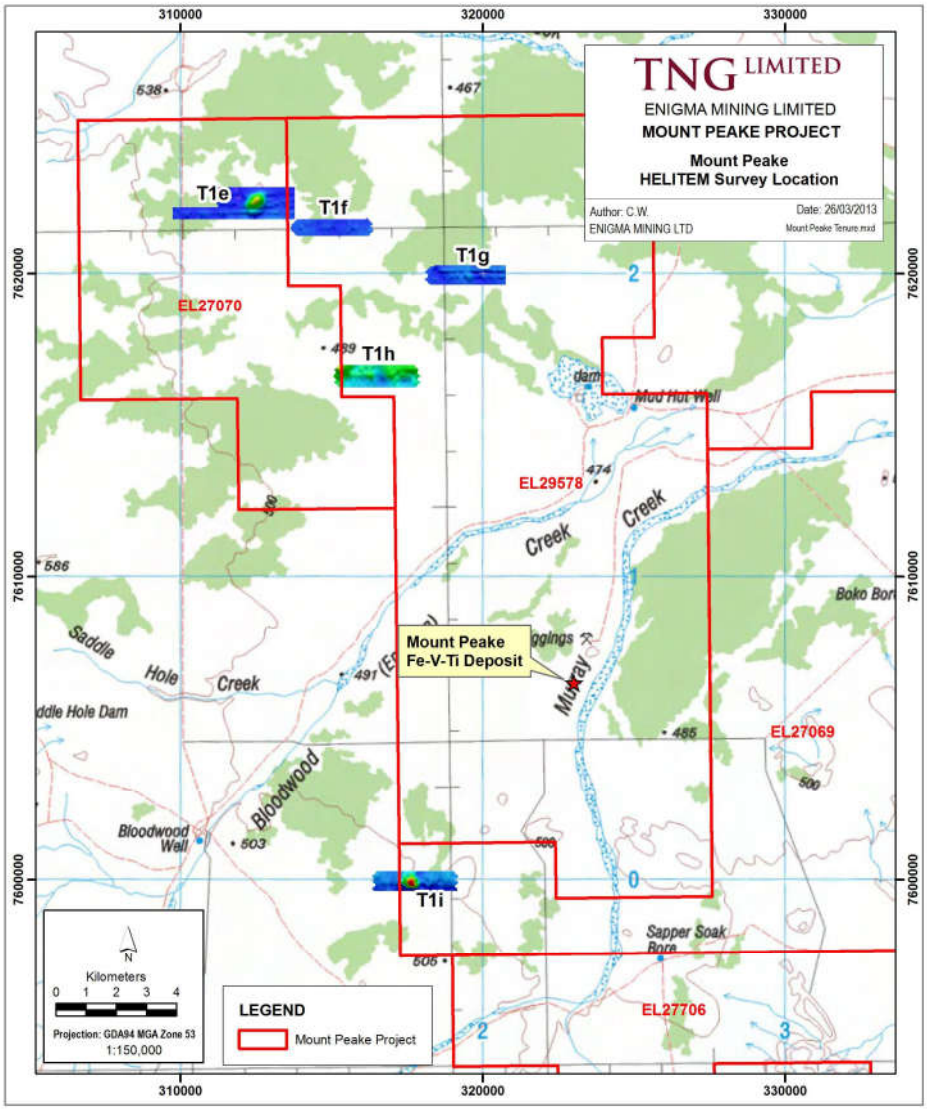

Figure 12: Location of HELITEM transects and interpreted targets in the Mount Peake project area.

6.4.7 Regional Mapping and Sampling

Since the onset of exploration by TNG in 2008 a number of geophysical reviews have been undertaken but very little on-ground work has been completed on the large aeromagnetic targets within the area (Figure 11). During November 2013 a programme of mapping and sampling was completed across the resource and main target areas. Sampling results across these areas could then be compared to the results across the known resource.

Three lines were sampled overlying strongly mineralised weathered gabbro (MOG) above the resource.

Each line was sampled at 50m intervals and pXRF Niton analysed. Surface soil (B horizon in-situ, 11 samples), -80 mesh soils (39 samples), and soil lag magnetic concentrates (58 samples) were analysed.

The total soil and -80 mesh soils did not outline anomalism, with V, Ti and Fe values received from above the mineralised area less than double the background. The magnetic concentrate soil lag (maglag) pXRF readings do however clearly show anomalism over the mineralised zone. Maglag material shows vanadium values of 2000-5400ppm, as anomalous over areas where the mineralisation lies beneath, against a background of 500-2500ppm.

East Target

Several gabbroic exposures were discovered at the East target, 5-8km east of the current Mount Peake resource. Abundant magnetic sand was observed in several creeks while driving the boundary fence track through the eastern magnetic anomaly. Sampling (ca. 329370E, 7603755N) outlined highly anomalous 3000-5000ppm V, and 150-200,000ppm Ti in magnetic concentrates. Gabbro outcrop was found by following up the magnetic alluvial sand trail.

The gabbro is magnetic and the majority of exposure is seen as small gabbro fragments (grus) on the soil surface. A second gabbro outcrop, further to the north is similarly poorly exposed, with saprolitic grus and no fresh material or in-situ rock Results of up to 5182ppm V and 24.2% Ti in magnetic concentrates were obtained in pXRF sampling.

Results from the laboratory sampling returned values of up to 0.634% V_2O_5, 24.6% TiO_2, and 48.0% Fe from the maglag sampling confirming the pXRF field results. Drilling is recommended at this target site.

South-West Target

Mapping was completed over the area of the anomaly and adjacent outcrops. Soil samples analysed on site by pXRF (-80 mesh and magnetic soil concentrate samples) along with 13 laboratory tested XRF samples did not outline a strong anomaly though further work is warranted to determine the source of the existing magnetic anomaly.

West Target
Soil sampling (both total soil and -80 mesh), was completed over the area with 94 samples taken, but no anomaly noted. This is a large magnetic feature though previous geophysical reviews did not estimate the magnetic susceptibility of these rocks to be as great as those making up the East Target. Geophysical surveys could further test the potential of this target area.

North-West Target

A thin sand plain to a depth of around 2-6m covers this anomaly. Geochemical sampling was designed to be evenly spaced and soil lag magnetic concentrate sampling was conducted (77 samples). No anomalism was noted. Geophysics is required to further test the potential of this anomaly.

North Target

The southern part of this target area is within the Mud Hut swamp environmentally restricted area, and therefore no sampling was conducted. A line of outcrop was noted along the western edge of the magnetic feature. Mapping of the area showed only Palaeoproterozoic schists and no Neoproterozoic Georgina Basin sediments (the hosts to the gabbros), and therefore the area has been downgraded based on the geology.

Magnetic Low – M1

No outcrop at all was observed at the M1 anomaly. Maglag sampling was not undertaken as this was not a magnetic target. 40 samples were submitted to ALS for multielement ICP analysis but no anomalous results were returned.

6.4.8 Regional Magnetic Target Drilling, 2014

Based on the mapping and sampling programme completed in 2013 a twelve hole reverse circulation drill program was designed to test the East, South-West and West Targets (Figure 13). It commenced in March 2014 and totalled 1319m. The aim of this programme was to intersect vanadiferous gabbro in order to increase the current resource identified at Mount Peake.

Magnetite bearing gabbro was intersected in 14MPERC001, 007, 008 & 009 with only low to moderate grades of V_2O_5 in small intersections (Table 6). Gabbro thickness decreased from north to south from greater than 270m in 14MPERC001 down to 14m in 14MPERC010.

Table 7: Intervals of ≥ 0.1% V_2O_5

	V_2O_5 0.1% Intervals			Average assay over interval		
Hole ID	**From (m)**	**To (m)**	**Thickness (m)**	**Fe_3O_4**	**TiO_2**	**V_2O_5**
14MPRC001	89	94	5	16.12	2.92	0.10
14MPRC007	69	70	1	15.53	2.92	0.10
	81	82	1	15.28	2.72	0.11
14MPRC008	25	27	2	17.90	4.02	0.11
	45	46	1	15.67	2.92	0.10
	58	59	1	15.26	2.70	0.10

It is recommended further drilling take place on Fe-Ti-V rich gabbro outcrop to the north-east, east and south-east of 14MPRC001.

No significant results were received from the West and South-west target areas with drillholes intersecting k-feldspar rich granite, leaving the magnetic anomaly unexplained.

6.4.9 Graphite Drilling of BGC-1 and G34

The GEOTEM/HELITEM anomalies G34 and BGC1 had been outlined previously by interpretation of airborne Electromagnetic surveys and were each RC drill tested in the 2011/12. Results received from the reanalysis of ARD01 (B1 target) prompted the 2014 drilling which re-entered these holes to provide core material for assessment of the potential of commercial grade of the graphite identified previously in the RC chips.

Significant intersections at the BGC1 target were:

At a 4% C graphite cut-off:
14MPDDHBGC1W1 246.00-285.30m 39.70m @ 5.13% C graphite
At a higher cut-off of 5% C graphite:
14MPDDHBGC1W1 248.00-254.00m 6.00m @ 5.33% C graphite; and
14MPDDHBGC1W1 266.70-285.30m 18.60m @ 5.32% C graphite

TNG contracted Mineral Engineering Technical Services (METS) to design a metallurgical testwork program to determine if the graphite from Mount Peake could form a saleable concentrate (generally requiring >80% grade).

Composites of BGC1 achieved cleaner concentrate grades of 60-70% in the initial work. Follow-up testwork was carried out on the two BGC1 composites. Both these samples returned final concentrate grades in excess of 90% graphite for the 25 micron feed, indicating that saleable product could be generated from the BGC1 graphite prospect.

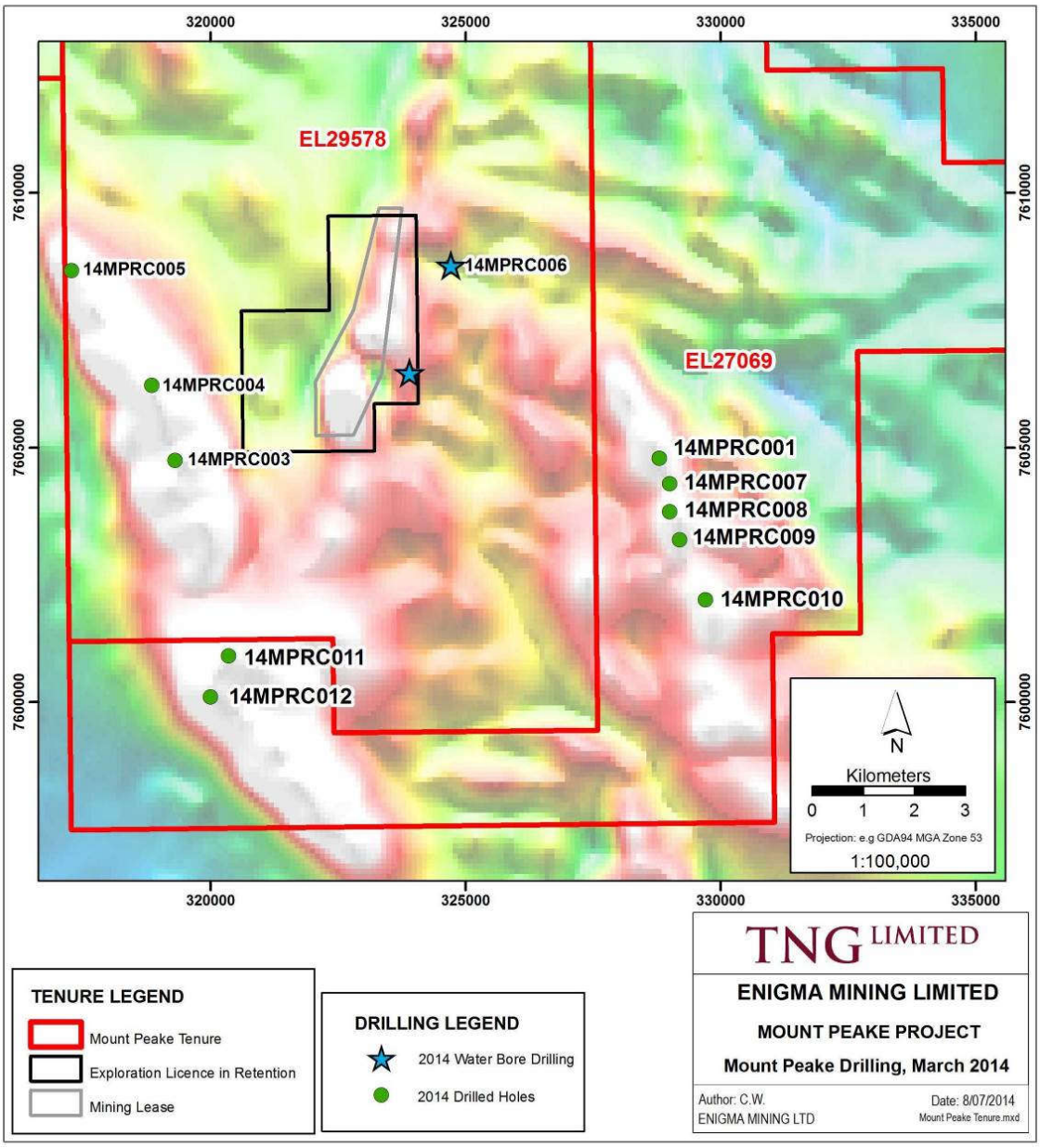

Figure 13: Drilling of the East, West and Sout-west magnetic targets surrounding the Mount Peake deposit.

7. CONCLUSIONS AND RECOMMENDATIONS

Based on the above exploration review there are a number of targets that still require follow up exploration. Figure 13 shows the exploration conducted across the project area and areas requiring followup exploration.

Targets BCG-1, B1 and G34 require further assessment as to the economic viability of the graphite targets. Additional drilling is proposed to further assess the extent of the graphitic horizon at the BGC-1/B1 target area.

A number of target areas identified in as part of the GEOTEM review in 2010 have never been followed up with additional ground EM surveys (G24-33). It is unlikely that these target areas will result in additional vanadiferous resources but may result in additional base metal prospects being defined.

Planned drilling of similar targets on the adjacent Walabanba project during May 2017 will help identify whether on-ground EM across these areas is warranted.

A transect line across the M1 target (T1h) from the HELITEM survey in 2012 suggested that the hole drilled has not adequately tested the target and followup drilling is recommended to fully test the magnetic low area.

Drilling in 2012 and 2014 produced positive results for additional vanadium resources within the northern target area (12MPNRC003), eastern bullseye target (12MPBBERC001) and the eastern target area (14MPRC001, 14MPRC007 and 14MPRC008). Additional drilling in these areas to test and constrain the extent of magnetite gabbro mineralisation is recommended.

Magnetic anomalies to the west and southwest of the Mount Peake deposit remain unexplained and while magnetic susceptibilities in this region are determined to be less than in the eastern area further geophysical investigation as to the source of the magnetic highs is recommended.

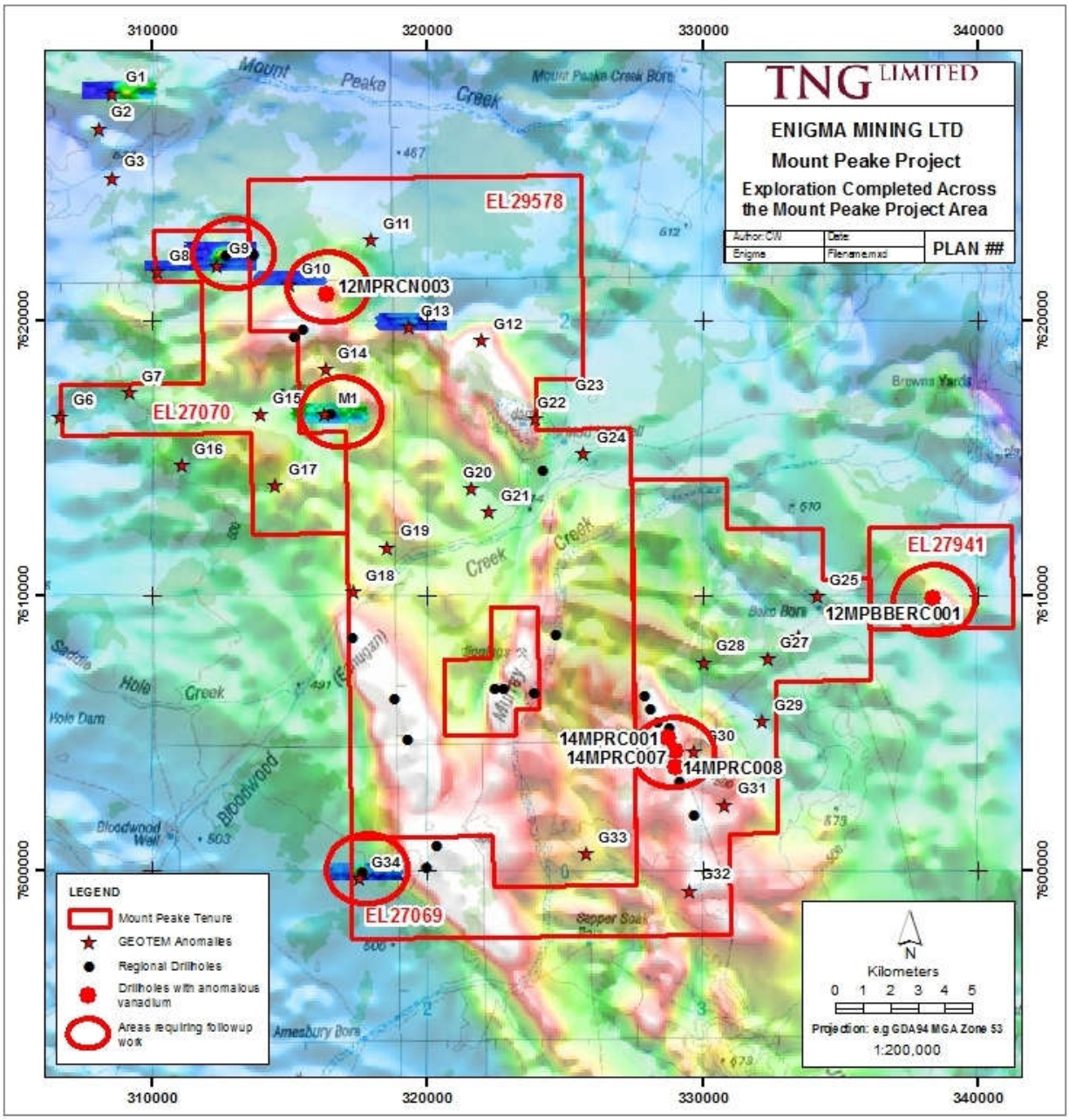

Figure 14: GEOTEM targets and regional drilling across the Mount Peake project area. HELITEM transects are shown. Drillholes with anomalous vanadium results are highlighted along with areas requiring followup exploration.