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TAUNG GOLD | TAUNG GOLD INTERNATIONAL LIMITED
壇金礦業有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 621)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

RESULTS

The board of directors (the “**Board**”) of Taung Gold International Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2016 together with the comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended	
		30 September	
		2016	2015
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other income	3	21,811	20,081
Other gains and losses	4	89	(147)
Administrative and operating expenses		(22,950)	(31,137)
Fair value change on gross obligation under put options		(25,934)	121,780
Share of results of associates		52	–
		<hr/>	<hr/>
(Loss) profit before taxation		(26,932)	110,577
Income tax expense	5	(5,210)	–
		<hr/>	<hr/>
(Loss)profit for the period	6	(32,142)	110,577
		<hr/>	<hr/>

* *For identification purpose only*

		Six months ended	
		30 September	
		2016	2015
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Other comprehensive income (expense) for the period:			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		<u>60,371</u>	<u>(102,028)</u>
Total comprehensive income for the period		<u>28,229</u>	<u>8,549</u>
(Loss) profit for the period attributable to:			
Owners of the Company		<u>(34,912)</u>	<u>106,720</u>
Non-controlling interests		<u>2,770</u>	<u>3,857</u>
		<u>(32,142)</u>	<u>110,577</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		<u>8,431</u>	<u>34,445</u>
Non-controlling interests		<u>19,798</u>	<u>(25,896)</u>
		<u>28,229</u>	<u>8,549</u>
(Loss) earnings per share	8		
Basic (HK cents)		<u>(0.25)</u>	<u>0.86</u>
Diluted (HK cents)		<u>(0.25)</u>	<u>0.86</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2016

	30 September	31 March
	2016	2016
<i>Note</i>	HK\$'000	HK\$'000
	(unaudited)	(audited)
Non-current assets		
Property, plant and equipment	2,348	2,662
Exploration assets	4,072,932	4,039,548
Prepayments for acquisition of exploration assets	122,992	122,992
Interests in associates	2,070	2,018
Amount due from an associate	30,751	30,751
Available-for-sale investment	49,716	49,717
Loans to shareholders of a subsidiary	314,461	270,891
Deposits for rehabilitation	714	675
Pledged bank deposits	2,279	2,064
	<u>4,598,263</u>	<u>4,521,318</u>
Current assets		
Other receivables and other deposits	17,617	16,425
Deposits for acquisition of investment	–	30,000
Bank balances and cash	223,738	210,263
	<u>241,355</u>	<u>256,688</u>
Current liabilities		
Other payables and accruals	5,562	9,613
Tax payable	5,512	–
Derivative financial instruments		
– put options	9(b) –	–
Gross obligation under put options	9(a) –	93,355
	<u>11,074</u>	<u>102,968</u>
Net current assets	<u>230,281</u>	<u>153,720</u>
Total assets less current liabilities	<u>4,828,544</u>	<u>4,675,038</u>
Capital and reserves		
Share capital	10 148,746	147,912
Reserves	3,911,585	3,783,437
Equity attributable to owners of the Company	<u>4,060,331</u>	<u>3,931,349</u>
Non-controlling interests	768,213	743,689
Total equity	<u>4,828,544</u>	<u>4,675,038</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements has been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The accounting policies and methods of computation used in the preparation of unaudited condensed consolidated financial statements for six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

2. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Starting from the six months ended 30 September 2015, the Group started to engaged in gold exploration and development in Indonesia upon the completion of acquisition of subsidiaries. The Group’s operating and reportable segments under HKFRS 8 are as follows:

- (a) gold exploration and development in South Africa;
- (b) gold exploration and development in Indonesia; and
- (c) trading of minerals.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the six months ended 30 September 2016

	Gold exploration and development in South Africa <i>HK\$'000</i> (unaudited)	Gold exploration and development in Indonesia <i>HK\$'000</i> (unaudited)	Trading of minerals <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
REVENUE				
External sales	—	—	—	—
RESULTS				
Segment loss	<u>(6,926)</u>	<u>(603)</u>	—	(7,529)
Unallocated other income				21,811
Unallocated other gains and losses				89
Unallocated corporate expenses				(15,421)
Share of result of associates				52
Fair value change on gross obligation under put options				<u>(25,934)</u>
Loss before taxation				<u>(26,932)</u>

For the six months ended 30 September 2015

	Gold and development in South Africa <i>HK\$'000</i> (unaudited)	Trading of minerals <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
REVENUE			
External sales	—	—	—
RESULTS			
Segment loss	<u>(6,857)</u>	<u>(2)</u>	(6,859)
Unallocated other income			20,081
Unallocated other gains and losses			(147)
Unallocated corporate expenses			(24,278)
Fair value change on gross obligation under put options			<u>121,780</u>
Profit before taxation			<u>110,577</u>

3. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on loan to a shareholder of a subsidiary	18,942	17,487
Interest income on bank deposits	2,869	2,594
	<u>21,811</u>	<u>20,081</u>

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Gain (losses) on disposal of property, plant and equipment	89	(147)
	<u>89</u>	<u>(147)</u>

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax has been made in the unaudited condensed consolidated financial statements as the subsidiary incorporated in Hong Kong have no assessable profits for both periods.

Under South African tax law, the corporate tax rate as 28% for both periods on taxable profits of South African subsidiaries. The income tax expenses of the Group for current interim period represented the corporate tax arising from the South African subsidiaries. No provision for taxation has been made as the subsidiaries in South Africa have no assessable profits for the six months ended 30 September 2015.

Under Indonesian tax law, the corporate tax rate is 25% for the current year on taxable profits of Indonesian subsidiary. No provision for taxation has been made as the subsidiary in Indonesia has no assessable profit for the current interim period.

6. (LOSS)PROFIT FOR THE PERIOD

Six months ended	
30 September	
2016	2015
HK\$'000	HK\$'000
(unaudited)	(unaudited)

(Loss) profit for the period has been arrived at after charging:

Depreciation for property, plant and equipment	401	471
Operating lease rentals in respect of rented premises	1,211	949
Staff costs (including directors' emoluments)		
Share options expense	5,987	17,962
Salaries and other benefits	16,629	7,783
Contributions to retirement benefits schemes	134	134
Less: Amounts capitalised in exploration assets	(2,960)	(3,412)
	19,790	22,467

7. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

8. (LOSS) EARNINGS PER SHARE

The calculations of basic and diluted (loss) earnings per share for the six months ended 30 September 2016 together with the comparative figures for 2015 are as follows:

	Six months ended	
	30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	<u>(34,912)</u>	<u>106,720</u>
	Six months ended	
	30 September	
	2016	2015
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<u>13,759,923</u>	<u>12,431,575</u>

The computation of diluted loss per share for the six months ended 30 September 2016 does not assume the exercise of the Company's share options since it would result and a decrease in loss per share.

The computation of diluted (loss) earnings per share for the six months ended 30 September 2015 does not assure the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares.

9. GROSS OBLIGATION UNDER PUT OPTIONS, DERIVATIVE FINANCIAL INSTRUMENTS – PUT OPTIONS AND CALL OPTIONS

(a) Gross obligation under put options

The Group granted put options to acquire TGL's shares from the South African Shareholders and the TGL option holders ("TG Optionholders"). Details of the put options are set out in note 9(b).

Upon the issuance of the put options, the Group has a commitment to settle the contractual obligation by cash proceeds from sales (at the times of exercise of the options) of a maximum of 2,392,161,765 of the Company's shares. The gross obligation under these put options are designated as fair value through profit or loss at initial recognition and stated at fair value. As at 31 March 2016, the fair value of the gross obligation under put options with reference to the Company's share price of HK\$0.080 per share was HK\$93,355,000. As at 30 September 2016, there is no fair value for the gross obligation under put options as the underlying put option agreements (details at out in note 9(b)(i)) and put options (details at out in note 9(b)(ii)) have been expired on 7 September 2016. During the six months ended 30 September 2016, net increase in fair value of HK\$25,934,000 was recognised in profit or loss. The Company's share price as at 31 March 2016 was with reference to quoted market price available on the Stock Exchange.

As disclosed in note 9(b), 1,186,968 and 376,804 put options granted to TG Optionholders on 5 September 2014 were exercised on 24 May 2016 and 20 July 2016, 83,463,524 Company's shares were issued upon the exercise of these put options, fair value on gross obligation under put options of HK\$4,625,000 and HK\$2,554,000 respectively was derecognised. The fair value on the gross obligation under put options at the date of exercise were with reference to the quoted market price of the Company of HK\$0.073 and HK\$0.127 per share available on the Stock Exchange.

(b) Derivative financial instruments – put options

Put options for the acquisition of additional interest in TGL

(i) Put option agreements between the Company, GoldCom and South African Shareholders

The South African Shareholders had 21,174,316 shares of TGL on 8 September 2011. To facilitate the South African Shareholders selling their shares in TGL to the Company, the Company granted put options to the South African Shareholders. The consideration payable by each South African Shareholder for the grant of the put option is ZAR1. Due to foreign exchange control restrictions in South Africa, the South African Shareholders are restricted from on-selling, transferring or dealing in the Company's shares. Accordingly, Gold Commercial Services Limited ("GoldCom") was introduced to facilitate the arrangements under the put option agreements between the Company and the South African Shareholders.

To facilitate the payment of the put option exercise price upon the exercise of the put options, on 8 September 2011, GoldCom subscribed for 1,130,141,116 of the Company's shares in consideration for the issuance of the loan note with nil interest. The shares are kept by an escrow agent appointed jointly by GoldCom, the Company and the South African Shareholders. The loan note is unsecured. The Company will not demand repayment of any amount outstanding under the loan note prior to the sales on the Stock Exchange of the Company's shares and the receipt by GoldCom of an amount equivalent to the cash proceeds from the sales of the Company's shares upon exercise of put options by the South African Shareholders. In substance, GoldCom is acting in the role of an agent and the arrangement of loan note and the share subscription is only to facilitate the issuance of the Company's shares prior to the exercise of put options. Accordingly, the Company's shares issued for the loan note are accounted for as if they are treasury shares. The closing market price of the Company's share on 8 September 2011 was HK\$0.46. The share capital and share premium relating to these shares issued to GoldCom for the exchange of a loan note amounting to HK\$519,865,000 is recognised as other reserve in equity in the consolidated statement of changes in equity.

Pursuant to the put option agreements dated 8 September 2011, the South African Shareholders may sell their TGL shares to the Company through GoldCom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. Such right to sell TGL shares to the Company through GoldCom may be exercised by the South African Shareholders at any time within three years from 8 September 2011.

The put options may not be transferred by the South African Shareholders without the prior written consent of the other parties to the put option agreements. In addition, if any South African Shareholder wishes to sell all or part of the TGL shares held by him to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company through GoldCom. If any South African Shareholder has not exercised his put options in full within three years from 8 September 2011, GoldCom shall sell through the Stock Exchange the remaining Company's shares it then holds and the cash proceeds from such sales shall be paid to the Company in repayment of the loan note. The risk of any reduction in value of the Company's shares is borne by the Company.

The put options agreement expired on 7 September 2014.

On 5 September 2014, the Company, GoldCom and TGL entered into the new put option agreements (“**New Put Option Agreements**”) with each of the South African Shareholders and pursuant to the New put option agreements, the Company granted the South African Shareholders the right to sell their TGL shares to the Company through GoldCom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company’s shares upon the transfer of TGL shares to the Company. Such right to sell TGL shares to the Company through GoldCom may be exercised by the South African Shareholders at any time before 7 September 2016.

The put options may not be transferred by the South African Shareholders without the prior written consent of the other parties to the New put option agreements. In addition, if any South African Shareholder wishes to sell all or part of the TGL shares held by him to a third party during the term of the New put option agreements, he shall first be required to offer such TGL shares to the Company through GoldCom. If any South African Shareholder has not exercised his put options in full before 7 September 2016, GoldCom shall sell through the Stock Exchange the remaining Company’s shares it then holds and the cash proceeds from such sales shall be paid to the Company in repayment of the loan note. The risk of any reduction in value of the Company’s shares is borne by the Company.

During the period ended 30 September 2016, 20,299,911 put options were exercised by the South African Shareholders.

The New Put Options Agreements expired on 7 September 2016.

(ii) Put options granted by the Company to the TG Optionholders

Pursuant to the put option agreements dated 8 September 2011 entered into between the TG Optionholders, GoldCom, TGL and the Company, the Company and GoldCom granted to the TG Optionholders the right to sell a maximum number of 18,916,168 TGL shares to the Company or to the Company through GoldCom for a maximum of 1,009,616,519 new shares of the Company upon their exercise of the options granted by TGL. The put options may be exercised by the TG Optionholders at any time within three years from 8 September 2011.

When the TG Optionholders are South African Shareholders, they may sell their TGL shares obtained from exercise of the options granted by TGL to the Company through GoldCom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, they may sell their TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company’s shares to the TG Optionholders using an exchange ratio of about 53 Company’s shares for every 1 TGL share.

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the put option agreements. In addition, if any TG Optionholder wishes to sell all or part of the TGL shares obtaining from exercise of the options granted by TGL to a third party during the term of the put option agreements, he shall first be required to offer such TGL shares to the Company.

The consideration payable by each of the TG Optionholders for the grant of the put option is ZAR1.

The put option agreements expired on 7 September 2014.

On 5 September 2014, the Company, GoldCom and TGL entered into the new optionholder agreements (“**New Optionholder Agreements**”) with each of the TG Optionholders and pursuant to the New optionholder agreements, the Company granted the TG Optionholders the right to sell a maximum number of 23,645,210 TGL shares to the Company or to the Company through GoldCom for a maximum of 1,262,020,649 new shares of the Company upon their exercise of the options granted by TGL. The put options may be exercised by the TG Optionholders at any time before 7 September 2016.

When the TG Optionholders are South African Shareholders, they may sell their TGL shares obtained from exercise of the options granted by TGL to the Company through GoldCom who will sell on-market a number of the Company’s shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company’s shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, they may sell their TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company’s shares to the TG Optionholders using an exchange ratio of about 53 Company’s shares for every 1 TGL share.

The put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the New optionholder agreements. In addition, if any TG Optionholder wishes to sell all or part of the TGL shares obtaining from exercise of the options granted by TGL to a third party during the term of the New optionholder agreements, he shall first be required to offer such TGL shares to the Company.

The consideration payable by each of the TG Optionholders for the grant of the put option is ZAR1.

The New Optionholder Agreements expired on 7 September 2016.

(c) Derivative financial instruments – call options

Call options for the acquisition of additional interest in TGL

(i) Call options granted by the South African Shareholders to the Company

Pursuant to the New put option agreements dated 5 September 2014, the Company may acquire the TGL shares from the South African Shareholders through GoldCom in respect of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. The principal amount outstanding under the loan note will be reduced by the market value of the corresponding number of the Company's shares upon the transfer of TGL shares to the Company. Such right to acquire TGL shares from the South African Shareholders through GoldCom may be exercised by the Company at any time before 7 September 2016.

The call options may not be transferred by the Company without the prior written consent of the other parties to the New put option agreements. In addition, the call options shall automatically terminate when the Company acquires 80% or more of the TGL shares from the South African Shareholders.

The exercise of the call options shall be conditional upon (a) a change of control of the Company has occurred and duly completed in accordance with the terms and conditions thereunder and has been announced on the Stock Exchange; (b) where applicable, the exercise of the call options having been approved by the independent shareholders as required by and in accordance with the requirements under the Listing Rules; and (c) the offer price of the Company's share shall not less than HK\$0.20 per share.

The consideration payable by the Company to the South African Shareholders for the grant of the call option is HK\$1.

As at 31 March 2016, the directors of the Company considered that the possibility of exercisability of the call options is low as the likelihood of change of control of the Company is outside the control of the Company and not foreseeable, thus the fair value of the call options is considered as minimal. During the period ended 30 September 2016, no call options were exercised by the Company.

(ii) Call options granted by the TG Optionholders to the Company

Pursuant to the New optionholder agreements dated 5 September 2014, each of the TG Optionholders has granted the Company the right to acquire a maximum number of 23,645,210 TGL shares from TG Optionholders through GoldCom for a maximum of 1,262,020,649 new shares of the Company upon their exercise of the options granted by TGL. The call options may be exercised by the Company at any time before 7 September 2016.

When the TG Optionholders are South African Shareholders, the Company may acquire the TGL shares from the South African Shareholders through GoldCom who will sell on-market a number of the Company's shares representing the number of TGL shares being sold by the South African Shareholders multiplied by the share exchange ratio of about 53 Company's shares for every 1 TGL share. GoldCom will deliver the cash proceeds from such on-market sale to the South African Shareholders and will transfer the TGL shares to the Company. When the TG Optionholders are not residents of South Africa, the Company may acquire the TGL shares obtaining from exercise of the options granted by TGL to the Company and the Company will issue a corresponding number of the Company's shares to the TG Optionholders using an exchange ratio of about 53 Company's shares for every 1 TGL share.

The call options may not be transferred by the Company without the prior written consent of the other parties to the New optionholder agreements. In addition, if any put options may not be transferred by the TG Optionholders without the prior written consent of the other parties to the New optionholder agreements. In addition, the call options shall automatically terminate when the Company acquires 80% or more of the TGL shares from TG Optionholders.

The exercise of the call options shall be conditional upon (a) a change of control of the Company has occurred and duly completed in accordance with the terms and conditions thereunder and has been announced on the Stock Exchange; (b) where applicable, the exercise of the call options having been approved by the independent shareholders as required by and in accordance with the requirements under the Listing Rules; and (c) the offer price of the Company's share shall not less than HK\$0.20 per share.

The consideration payable by the Company to the TG Optionholders for the grant of the call option is HK\$1.

As at 30 September 2016, the directors of the Company considered that the possibility of exercisability of the call options is low as the likelihood of change of control of the Company is outside the control of the Company and not foreseeable, thus the fair value of the call options is considered as minimal. During the period ended 30 September 2016, no call options were exercised by the Company.

The call options expired on 7 September 2016.

The call options granted by South African Shareholders and TG Optionholders to the Company are classified as derivative financial instruments and stated at fair value.

10. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2015, 30 September 2015, 31 March 2016 and 30 September 2016	<u>30,000,000,000</u>	<u>300,000</u>
Issue and fully paid:		
At 1 April 2016 (audited)	14,791,170,169	147,912
Issue of shares under New TG Optionholder Agreement (<i>Note</i>)	<u>83,463,524</u>	<u>834</u>
At 30 September 2016 (unaudited)	<u>14,874,633,693</u>	<u>148,746</u>

Note: 83,463,524 ordinary shares of the Company were issued during six months ended 30 September 2016 to TG Optionholders in exchange of 1,563,772 TGL shares upon exercise of relevant put options. Details of put options exercised are set out in note 9(b).

All shares ranked pari passu in all respects with other shares in issue.

11. EVENT AFTER REPORTING PERIOD

On 9 November 2016, a placing agent and the Company entered into a conditional placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, an aggregate maximum of 2,974,920,000 placing shares (“**Placing Shares**”) to not fewer than six placees who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons. The conditions set out in the conditional placing agreement have been fulfilled and the placing was completed on 21 November 2016. An aggregate of 2,974,920,000 Placing Shares, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares as at 21 November 2016, have been successfully placed to not fewer than six placees at the placing price of HK\$0.0883 per Placing Share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the exploration and development of goldmines in the Republic of South Africa (“**South Africa**”) and the Republic of Indonesia (“**Indonesia**”).

During the period under review, The Group recorded a net loss attributable to owners of approximately HK\$34,912,000 or a loss of HK\$0.25 cents per share (basic), compared with a net profit attributable to owners of the Company for the period ending 30 September 2015 of approximately HK\$106,720,000 or earning of HK\$0.86 cents per share (basic).

INTERIM DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the Group’s had no outstanding bank borrowings (31 March 2016: Nil) and no banking facilities (31 March 2016: Nil).

The Group’s gearing ratio as at 30 September 2016 was zero (31 March 2016: zero), calculated based on the Group’s total zero borrowings (31 March 2016: zero) over the Group’s total assets of approximately HK\$4,839,618,000 (31 March 2016: HK\$4,778,006,000).

As at 30 September 2016, the balances of cash and cash equivalents of the Group were approximately HK\$223,738,000 (31 March 2016: HK\$210,263,000) and were mainly denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand.

The Group continues to adopt a policy of dealing principally with clients with whom the Group has enjoyed a long working relationship so as to minimize risks in its business.

FOREIGN EXCHANGE EXPOSURE

During the period ended 30 September 2016, the Group operated mainly in the Indonesia and South Africa, and the majority of the Group's transaction and balances were denominated in Hong Kong Dollars, Renminbi, United States Dollars and South African Rand. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need rise.

REVIEW OF BUSINESS OPERATIONS

During the period under review the Group did not carry out any field exploration activities and its attention was focused on advancing and completing the study work for the Evander and Jeanette projects and field work for metallurgical testing of samples from Garini, one of the Minex assets. The Company has not conducted any mining or production activities during the period under review.

The Evander Project

The Evander Project comprises the adjacent Six Shaft and Twistdraai areas in the Evander Goldfield on the northeastern limb of the Witwatersrand Basin, Mpumalanga, Province, South Africa. Taung Gold Secunda (Pty) Limited (“**TGS**”), a wholly owned subsidiary of Taung Gold (Pty) Limited (“**TGL**”), is the registered holder of mining right (the “**Mining Right**”), in terms of the Minerals and Petroleum Resources Development Act (“**MPRDA**”), for the Evander Project. During the period under review ZAR6.56m was spent on the Evander Project.

The Company published a maiden Probable Mineral Reserve and an updated Total Mineral Resource for the Evander Project on 16 May 2016. The Probable Mineral Reserve for the Evander project is 4.29 million ounces of gold from 19.64 million tonnes of ore at a head grade of 6.80g/t.

The following table shows the Total Mineral Resource for the Evander Project (comprising both the Six Shaft and Twistdraai areas) stated at 7.59 million ounces gold at a mining grade of 8.05g/t using a 500cmg/t cut-off grade as at resource declaration on 5 February 2016. The Measured and Indicated Resource makes up 71% of the Total Mineral Resource for the project.

Expenditure on the Evander Project for the period ended 30 September 2016:

Consultants & Service providers	ZAR2.40m
Staffing	ZAR2.14m
Overheads	ZAR2.02m
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Total	<u>ZAR6.56m</u>

The Jeanette Project

The Jeanette Project is located close to the town of Allanridge within the southwest margin of the Witwatersand Basin, north east of Wellcom, in the Free State Province of South Africa.

On 19 June 2015 Taung Gold Free State Proprietary Limited (“**TGFS**”), a wholly-owned subsidiary of TGL, submitted an application for a mining right (the “**Jeanette Mining Right**”) over the area, having previously submitted an application to consolidate various prospecting right (the “**Prospecting Right**”).

The application for the Jeanette Mining Right has been accepted by the Free State Office of the Department of Mineral Resources (“**DMR**”) and the administrative engagement with the DMR in respect of the Environmental Authorisation (“**EA**”), Mining Works Program (“**MWP**”) and Social & Labour Plan (“**SLP**”) which form part of the Mining Right is ongoing. It is anticipated that the execution and registration of the Jeanette Mining Right in the name of TGFS will take place during the first half of 2017. As the holder of the various Prospecting Rights that make up the Jeanette Project, TGFS had an exclusive right to apply for the Jeanette a Mining Right over the Jeanette project area. During the period under review ZAR4.87m was spent on the Jeanette Project.

The Company published a maiden Probable Mineral Reserve and an update of the Total Mineral Resource on 23 May 2016. The Probable Mineral Reserve is 7.12 million ounces of gold from 19.21 million tonnes of ore at a head grade of 11.52g/t. The Total Mineral Resource is 15.26 million ounces of gold from 46.51 million tonnes at a mean grade of 5.57g/t for both Basal Reef and A-Reef. The Basal Reef Mineral Resource is 10.55 million ounces of gold from 16.43 million tonnes at mean grade of 19.99g/t. The cut-off grades used for Basal Reef and A-Reef were 341cmg/t and 374cmg/t respectively as at 29 February 2016. The Indicated Resource on the Basal Reef makes up 89% of the total Basal Reef Mineral Resource and 62% of the Total Mineral Resource.

Expenditure on the Jeanette Project for the period ended 30 September 2016:

Consultants & Service providers	ZAR2.93m
Staffing	ZAR1.55m
Overheads	ZAR0.39m
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Total	ZAR4.87m
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Minex and the Indonesian Assets (the “Minex Project”)

Minex Resources Pte. Ltd. (“**Minex**”) became a wholly-owned subsidiary of the Company on 24 August 2015 upon fulfillment of the conditions precedent for completion in the Acquisition Agreement. At the same time, PT Bolmong Timur Primanusa Resources (“**PTBTPR**”) became a non-wholly owned subsidiary of the Company. Minex holds a 95% interest in PTBTPR. In addition, Minex will hold a 75% interest in PT Rihendy Tri Jaya (“**PTRTJ**”) upon conversion of PTRTJ into a Penanaman Modal Asing- Foreign Investment (“**PMA**”) Company. Shareholders are referred to the announcements made by the Company on 6 and 24 July 2015. The collection of samples for metallurgical testing (the “**Metallurgical Testing**”) was undertaken in late September 2015 and these samples have been delivered to PT. SGS Indonesia Assay Laboratories in Jakarta, where assay work was completed to determine gold grades and prepare samples for the Metallurgical Testing. The prepared samples were transported to SGS South Africa (Pty) Limited, in Johannesburg, where the Metallurgical Testing is being carried out under the supervision of the Company’s management and independent metallurgical consultant. It is expected that the results of the Metallurgical Testing will be available before the end of 2016.

FUTURE PLANS FOR THE EVANDER PROJECT, JEANETTE PROJECT AND MINEX PROJECT

The Evander Project

The external review of the Evander Project Bankable Feasibility Study (“**BFS**”) was completed and the results of the BFS were announced on 16 May 2016. The external review was conducted by China ENFI Engineering Limited.

On 28 October 2014, the Company announced that it had entered into a Framework Agreement with MCC International Incorporation Ltd (“**MCCI**”), a wholly owned subsidiary of Metallurgical Corporation of China, pursuant to which the parties agreed to cooperate on an exclusive basis for a period of 12 months with the objective of entering into an Engineering, Procurement and Construction (“**EPC**”) contract for the development of the Evander Project. During the period under review the Company continues to engage with MCCI towards the same objective and further announcements will be made in this regard in due course.

The Environmental Impact Assessment (“EIA”) for the Evander Project is ongoing and is expected to be completed by the end of June 2017. Completion of the EIA will also result in the submission of an application for an integrated WUL for the project. Together with the EIA, an amended SLP and MWP will also form the basis of an application under Section 102 of the MPRDA to amend the Mining Right accordingly. An EA for the dewatering phase of the project has been approved and an application for a WUL for the dewatering phase of the project is being prepared and had been submitted to the relevant authorities on 19 September 2016.

The Jeanette Project

The internal review of the Jeanette Project Pre-Feasibility Study (“PFS”) is being completed and the results of the PFS will be announced before the end of 2016. The commencement date for the BFS for the project will be determined once the Mining Right for the project has been granted.

The following activities required in terms of the Mining Right application are in progress:

- An EIA Scoping Report was submitted to the DMR and accepted on 8 September 2015 and the EIA was completed early in January 2016. The final EIA was submitted to the DMR on 7 June 2016.
- The SLP consultation process has been completed and the SLP document was submitted to the DMR and the implementation commenced during June 2016.
- The MWP has been submitted to the DMR and discussions with the DMR are continuing.

The Minex Assets

A plan for the development of the Minex Assets will be compiled upon the completion of the Metallurgical Testing.

HUMAN RESOURCES

As at 30 September 2016, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 46 (2015: 45). The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned.

CORPORATE GOVERNANCE

The Board considers that good corporate governance of the Company can protect and safeguard the interests of the shareholders and to enhance the performance of the Company. The Group currently maintains an adequate and effective internal control system to meet its obligations under the Listing Rules. Saved as disclosed below, the Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

Code Provision A.4.1 requires non-executive directors should be appointed for a specific term and subject to re-election. The non-executive director and independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standard for securities transactions by the Directors. The Company has made specific enquiries of all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2016. No incidents of non-compliance of the Written Guidelines by Directors and relevant employees were noted. The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Written Guidelines**") for securities transactions by the relevant employees, including the Directors, who are likely to be in possession of unpublished price-sensitive information of the Company.

The Company continues to comply with the Written Guidelines in compliance with our obligations under the Securities and Futures Ordinance and Listing Rules.

AUDIT COMMITTEE

The primary duties of the Company's audit committee include review of the effectiveness of the Group's financial reporting process, internal control and risk management systems, overseeing the audit process and performing other duties as may be assigned by the Board from time to time. The Group's condensed consolidated financial statements for the six months ended 30 September 2016 have been reviewed by the audit committee.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of shares or other listed securities of the Company or by any of its subsidiaries during the reporting period.

CHANGE OF DIRECTORS

Mr. Walter Thomas Segsworth resigned as Independent Non-executive Director of the Company on 21 July 2016. On the same date, Mr. Tsui Pang was appointed as Independent Non-executive Director of the Company and Mr. Neil Andrew Herrick was appointed as Executive Director of the Company with immediate effect.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the website of Hong Kong Exchanges and Clearing Limited website at www.hkexnews.hk under "Latest Listed Companies Information" and on the website of the Company at www.taunggold.com under "Investors & media". The interim report of the Company containing all the information required by the Listing Rules will be published on the websites in due course.

By order of the Board
Taung Gold International Limited
Cheung Pak Sum
Executive Director

Hong Kong, 28 November 2016

As at the date of this announcement, the Board comprises nine Directors. The Executive Directors are Mr. Li Hok Yin, Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick, Ms. Cheung Pak Sum and Mr. Igor Levental. The Non-executive Director is Mr. Phen Chun Shing Vincent. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Tsui Pang.