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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)

**COMPLETION OF METALLURGICAL TESTING
INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER
THE GENERAL MANDATE**

Reference is made to the announcements of the Company dated 6 July 2015 and 24 August 2015 (the “**Announcements**”) in relation to, inter alia, the execution of Acquisition Agreement and the completion of acquisition of Sale Shares. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Announcements.

COMPLETION OF THE METALLURGICAL TESTING

According to the Acquisition Agreement, test work shall be completed by an independent laboratory engaged by the Company to determine the optimal method of processing and treating ore to produce an economically viable and saleable gold bearing concentrate to the satisfaction of the Company on or before the Long Stop Date and within 10 Business Days after the date on which the Company completes the Metallurgical Testing, the Company shall pay to the Sellers US\$4,000,000 in Consideration Shares.

The Board is pleased to announce that the Metallurgical Testing was completed on 19 December 2016 in accordance with the terms and conditions of the Acquisition Agreement. The following is a summary of the Metallurgical Testing:–

- 26 samples of material were collected from the Garini site during September 2016 and were sent to the SGS Analytical Laboratory in Jakarta, Indonesia, for sample preparation and where fire assay and Bulk Leach Extraction Gold (“**BLEG**”) tests were conducted to determine Gold grades and Sulphur and Arsenic analysis were completed.

* *For identification purpose only*

- The 26 samples were then sent to the SGS metallurgical test facility in Johannesburg, South Africa, where four composite samples were created as below:

Composite 1 – grade of 3.70g/t, BLEG recovery greater than 90% – free milling, excellent CIL Gold recovery

Composite 2 – grade of 2.57g/t, BLEG recovery between 75% and 90% – partially free milling, acceptable recovery

Composite 3 – grade of 1.78g/t, BLEG recovery between 50% and 75% – partially refractory, poor Gold recovery

Composite 4 – grade of 8.24g/t, BLEG recovery less than 50% – highly refractory, very low Gold recovery

- Each composite was subjected to a diagnostic leach which is a simulated metallurgical evaluation process whereby the metallurgical nature of the contained Gold and some of the other constituents in the sample are evaluated.

The aspects evaluated include:

- CIL Extractable Gold
- Preg-robbing minerals included
- Mildly refractory Gold
- Highly refractory Gold
- Carbonaceous Gold
- Silicate enclosed Gold particles

The results of the diagnostic leach on each of the four composite samples indicated the following:

- Composite 1 was free milling and Gold could be easily extracted with a CIL process at high recoveries of approximately 94%.
- Composite 2 was substantially free milling and Gold could be extracted with a CIL process at acceptable recoveries of approximately 88%.
- Composite 3 was partially refractory and the CIL process Gold recovery was low at approximately 78% and will require additional oxidation conditions to recover the contained Gold.
- Composite 4 the (highest grade composite) was a highly refractory and the CIL process Gold recovery was very low at approximately 33% and will require significant oxidation of the ore to release the contained Gold for recovery.

Conclusions from the Metallurgical Testing

It is reasonably expected that the CIL option will be required for ore of similar nature to Composites 1 and 2.

Hydrochloric Acid and Nitric Acid leach tests showed that acceptable Gold recoveries of approximately 90% were achievable with some form of flotation plant and oxidative leach process for ore similar to Composites 3 and 4.

It is therefore apparent that adequate metallurgical test work has been completed to be able to state that the Gold is extractable from the ore from all four composites.

Further metallurgical test work will be done in order to understand the Arsenic deportment in the samples and thus the likelihood of Arsenic dissolution. Such test work will focus on metallurgical process requirements for the neutralization of Arsenic.

The Company is now considering plans to further explore the area under its control in order to grow the Mineral Resource endowment and further announcements in this regard will be made in due course.

ISSUE OF SHARE CONSIDERATION UNDER THE GENERAL MANDATE

According to the Acquisition Agreement, the Consideration Shares will be allotted and issued under the General Mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 4 September 2014 and in any event shall be limited to a maximum of 748,340,374 Shares. On 7 August 2015, the Company allotted and issued 231,080,513 Consideration Shares upon completion of acquisition of Sale Shares, the balance of the General Mandate for issuing Consideration Shares shall be limited to a maximum of 517,259,861. On 19 December 2016, an aggregate of 301,918,288 Consideration Shares, representing approximately 1.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares as at the date of this announcement, have been allotted and issued at an issue price of HK\$0.1028 per Share as partial Consideration Shares to completion of the Metallurgical Testing.

EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the changes to the shareholding structure of the Company as a result of completion of the Metallurgical Testing:

	As at the date before issuing of Consideration Shares		Immediate upon completion of the Metallurgical Testing	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
Shareholders				
Electrum Strategic Exploration Limited (<i>Note 1</i>)	2,295,047,831	12.86	2,295,047,831	12.64
Mandra Materials Limited (<i>Note 2</i>)	1,835,354,722	10.28	1,835,354,722	10.11
Mandra Esop Limited (<i>Note 2</i>)	28,218,369	0.16	28,218,369	0.16
Woo Foong Hong Limited (<i>Note 2</i>)	426,530,727	2.39	426,530,727	2.35
Gold Commercial Services Limited (<i>Note 3</i>)	1,345,333,509	7.53	1,345,333,509	7.41
Li Hok Yin (<i>Note 4</i>)	17,380,622	0.10	17,380,622	0.10
Sellers	219,450,513	1.23	532,998,801	2.87
Other public Shareholder	11,682,237,400	65.45	11,670,607,400	64.36
Total	<u>17,849,553,693</u>	<u>100</u>	<u>18,151,471,981</u>	<u>100</u>

Notes:

- (1) The entire share capital of Electrum Strategic Exploration Limited is wholly-owned by GRAT Holdings LLC. Hence, GRAT Holdings LLC is deemed to be interested in the Shares held by Electrum Strategic Exploration Limited for the purpose of SFO.
- (2) Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited are 50% owned by Mr. Zhang Songyi. Hence, Mr. Zhang Songyi is deemed to be interested in the Shares held by Mandra Materials Limited, Mandra Esop Limited and Woo Foong Hong Limited for the purpose of SFO.

- (3) On 8 September 2011, the Company issued 1,130,141,116 new shares of the Company to Gold Commercial Services Limited (“**GoldCom**”) for granting the put options to South African resident shareholders of TGL in relation to the sale to the Company through GoldCom of 21,174,316 shares of TGL. As at the date of this announcement, the Company has, pursuant to the New TG Optionholders Put Option Agreement dated 5 September 2014, subsequently issued 775,997,492 new Shares to GoldCom upon TGL shareholder exercised 14,539,084 New TG Optionholders Put Options in relation to sale of 14,539,084 TG Shares to the Company through GoldCom (as defined under the Company’s circular dated 4 November 2014). The New TG Optionholder Put Option Agreement expired on 7 September 2016.
- (4) Li Hok Yin is a Co-chairman and an Executive Director of the Company.

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

Hong Kong, 19 December 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. Pheng Chun Shing Vincent. The Independent Non-executive Directors are Mr. Chui Man Lung, Mr. Everett, Mr. Li Kam Chung and Mr. Tsui Pang.