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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)**

**DISCLOSEABLE TRANSACTION**  
**PROPOSED ACQUISITION OF AN INTEREST IN**  
**AN EXPLORATION LICENCE FOR COPPER AND**  
**GOLD IN PAKISTAN**

**THE AGREEMENT**

The Board is pleased to announce that on 28 December 2016 (before trading hours), the Purchaser, which is a wholly-owned subsidiary of the Company, the Seller and the Guarantor entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the BVI Target Company, for the consideration of HK\$146,000,000. The Guarantor has agreed to guarantee the Seller's obligations under the Agreement. The BVI Target Company is a private limited company incorporated in the British Virgin Islands with a current 20% of the issued share capital of the Target Company. The Target Company, in turn, holds a 70% of the issued share capital of the Pakistani Target Company, a company incorporated under the laws of Pakistan which is the holder of an exploration licence for copper, gold and associated minerals in Balochistan, Pakistan.

Upon completion of the Proposed Acquisition, the Company will indirectly hold a 100% of the issued share capital of the BVI Target Company and an indirect 21% of the issued share capital of the Pakistani Target Company. As a result of the Proposed Acquisition the BVI Target Company will become a wholly-owned subsidiary of the Company.

\* For identification purpose only

The Board believes that the Proposed Acquisition supplements the Company's existing portfolio of South African and Indonesian gold assets and provides a strong foothold in a region well known for substantial copper-gold porphyry mineral deposits. It further provides an entry point for the Company into copper at a time when forecasts for consumption of the metal and, its price, appear to be strengthening.

### **LISTING RULES IMPLICATION**

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition are 5% or more but less than 25%, the Proposed Acquisition (in aggregate) constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should note that Completion is subject to various conditions as stated in the section headed "Conditions Precedent". The Agreement and the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the securities of the Company.**

The Board is pleased to announce that the Purchaser entered into the Agreement with the Seller and the Guarantor on 28 December 2016 (before trading hours) to conditionally acquire the Sale Shares. Details of the Agreement are set out as follows:

### **THE AGREEMENT**

**Date:** 28 December 2016 (before trading hours)

**Parties:**

- (1) Bright Quality Management Limited as the Purchaser;
- (2) Mr. Ma Chi Kwan as the Seller; and
- (3) New Promise International Limited as the Guarantor

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and his ultimate beneficial owners are third parties independent of the Group and are not connected persons of the Group, under the definitions of the Listing Rules.

**Asset to be acquired:** The Sale Shares as set out under the Agreement

## **Consideration and payment terms**

The Total Consideration for the Sale Shares as set out under the Agreement is HK\$146,000,000, which shall be satisfied by the Purchaser in the following manner:

- (a) a Deposit in the sum of HK\$60,000,000 shall be paid by the Purchaser in cash on or in any event no later than three Business Days after the date of the Agreement; and
- (b) the balance in the sum of HK\$86,000,000 shall be paid by the Purchaser in cash on or in any event no later than three Business Days after the Completion Date.

### *Determination of consideration*

The Total Consideration was determined after arm's length negotiations between the Purchaser and the Seller after taking into consideration of various factors and with reference to the anticipated level of potential copper & gold resources and production of the deposits. Purchaser engaged an independent valuer to provide a valuation report of the Pakistani Target Company by using various valuation methods. The preliminary valuation for the EL127 is US\$90,000,000 (or approximately HK\$697,500,000) and concludes that the consideration of HK\$146,000,000 is fair and reasonable.

As such, the Directors consider that the Total Consideration has been determined on normal commercial terms and that it is fair and reasonable and, in the interests of the Company and the Shareholders as a whole.

## **CONDITIONS PRECEDENT**

Completion of the Proposed Acquisition is conditional on the fulfillment of the following conditions (or waived in accordance with relevant clauses):

- (a) obtaining or satisfaction of all necessary regulatory approvals, consents or procedures (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong);
- (b) the completion of the Shareholding Restructuring of the Target Company, such that the BVI Target Company holds 30% of the issued share capital of the Target Company;
- (c) completion by the Purchaser of the Due Diligence to its sole satisfaction;

- (d) the granting and issuing of the Mining Lease to the Pakistani Target Company, in respect of the area within the EL127 Exploration Licence, giving the Pakistani Target Company full legal and beneficial rights to the Mining Lease and full power and authority to carry out all relevant activities in terms of the Mining Lease;
- (e) there not having occurred, in the period commencing on the date of Acquisition Agreement and ending on the Completion Date, a Material Adverse Change; in respect of the Target Group;
- (f) there not having been, in the period commencing on the date of the Agreement and ending on the Completion Date, any material breach of the warranties by the Seller or the Purchaser; and
- (g) all necessary approvals and consents that are required from both parties for the transaction contemplated in the Agreement, including but not limited to board approvals.

Each of the Purchaser and the Seller shall use their respective best endeavours to procure the fulfilment of the above conditions. If the conditions set out in the above conditions have not been satisfied or waived on or before 11:59 p.m. on the Long Stop Date or such other date as the Seller and the Purchaser may mutually agree, the Seller shall forthwith refund the Deposit to the Purchaser and the Agreement shall be deemed void and of no effect. In such event, subject to the refund of the Deposit by the Seller to the Purchaser or its nominee, neither party shall have any claim of any nature whatsoever against the other party under the Agreement (save in respect of any rights or liabilities that accrued prior to termination) and neither party shall be obliged to complete the sale and purchase of the Sale Shares.

#### **OTHER MATERIAL TERMS AND CONDITIONS**

- (1) The Purchaser and the Seller agree that in the event that either (a) the Resource Report or (b) the Revised Valuation Report or (c) both such reports are not completed and delivered to the Seller and Purchaser on or before 31 December 2018, the Agreement shall automatically terminate and shall cease to be of any force or effect and the Seller shall refund the Total Consideration to the Purchaser and the Purchaser shall transfer the Sale Shares back to the Seller, in each case no later than 31 January 2019; and
- (2) In the event that both (a) the Resource Report and (b) the Revised Valuation Report are completed and delivered to the Seller and Purchaser at any given time from the date of the Agreement up to the Long Stop Date, then the definition of the Total Consideration payable shall be deemed to be amended to an amount equal to 21% (twenty-one percent) of the total valuation of the EL127 Exploration Licence set out in the Revised Valuation Report, and the Purchaser and the Seller undertake to pay the balance of such amended amount to each other on the Long Stop Date.

## **COMPLETION**

Upon fulfillment or waiver (if applicable) of all the conditions precedent, Completion shall take place on the Completion Date or such other date as the Purchaser and the Seller may agree.

## **INFORMATION OF THE SELLER**

The Seller is the legal and beneficial holder of the Sale Shares, representing the entire issued share capital of the BVI Target Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owners are independent third parties to the Group.

## **INFORMATION OF THE TARGET GROUP**

### *The BVI Target Company*

The BVI Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the BVI Target Company is the legal and beneficial holder of 20% of the issued share capital of the Target Company. Upon completion of the Shareholding Restructuring, the BVI Target Company will become the legal and beneficial holder of 30% of the issued share capital of the Target Company.

### *The Target Company*

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the date of this announcement, the Target Company is the legal and beneficial holder of 70% of the issued share capital of the Pakistani Target Company.

### *The Pakistani Target Company*

The Pakistani Target Company is a company incorporated in Pakistan with limited liability and is principally engaged in copper-gold exploration. As at the date of this announcement, the Pakistani Target Company is the valid legal holder of the EL127 Exploration Licence and has lodged an application for the conversion of the EL127 Exploration Licence into the Mining Lease. The EL127 Exploration Licence will continue to be effective until such time as the Mining Lease has been issued, or the application has been refused, as the case may be. The BVI Target Company, the Target Company and the Pakistani Target Company had no turnover as at the date of this announcement. According to the Seller, the Target Group has not commenced any exploitation or production in the EL127 Exploration Licence area as at the date of this announcement.

## **The EL127 Exploration Licence**

EL127 comprises of three ore bodies, namely South Borgar, East Borgar and North Koh-e-Daleel, which collectively form the EL127 area. EL127 lies in a location approximately 68km North-West of Nok Kundi town in the Chagai district along Pakistan's Western border with Iran. The total tenement area which is currently held by the Pakistani Target Company is 98 km<sup>2</sup>. An application to convert the EL127 Exploration Licence to a Mining Lease was lodged by the Pakistani Target Company. EL127 Exploration Licence contains several deposits with significant potential to host economic copper-gold resources.

## **REASONS AND BENEFITS**

The Group is principally engaged in investment holding, trading of minerals and exploration, development and mining of gold and associated minerals in the Republic of South Africa (“**South Africa**”) and the Republic of Indonesia (“**Indonesia**”).

The Chagai area of Balochistan has long been regarded as a host of world-class copper-gold porphyry mineralization and contains numerous well-known and very large deposits. The indirect interest in the Pakistani Target Company provides the Group with an attractive entry point into Pakistan, by anticipating development into large copper and gold resources located in a region with well-known copper-gold porphyry mineralization, containing existing mining operations and significant exploration targets. The Exploration Licence area has excellent potential to contain substantial economically viable copper and gold resources. The Company believes that EL127 Exploration Licence has the potential for further discovery of copper and gold bearing mineralization.

Taking into account that; (i) the Proposed Acquisition provides the Group with a unique opportunity to enter into the copper-gold mining industry in Pakistan and achieve geographical diversification of the Group; (ii) the prospects for copper as a commodity with extensive industrial uses and for gold in general; and (iii) the Proposed Acquisition is in line with the Group's diversification strategy; the Directors are of the opinion that the terms of the Agreement, including the Total Consideration, are based on normal commercial terms which are fair and reasonable, negotiated on an arm's length basis between the parties, and in the interests of the Group and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition are 5% or more but less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should note that Completion is subject to various conditions as stated in the section headed “Conditions Precedent”. The Agreement and the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions will, unless the context requires otherwise, have the following meanings:

“Agreement”	the sale and purchase agreement dated 28 December 2016 entered into between the Purchaser, the Seller and the Guarantor
“Balochistan Mineral Rules”	the Balochistan Mineral Rules, 2002 as amended from time to time
“Board”	the board of Directors of the Company
“Business Days”	a day (excluding a Saturday) on which banks generally are open in Hong Kong, China and Pakistan for the transaction of normal banking business
“BVI Target Company”	Sunlit Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	Taung Gold International Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange

“Completion”	the completion of sale and purchase of the Sale Shares in accordance with the Agreement
“Completion Date”	the date that is 3 Business Days after the date on which the last of the conditions precedent is satisfied or waived, provided that the Completion Date shall in any event not be later than the Long Stop Date
“Deposit”	a sum of HK\$60,000,000 representing a portion of the total Consideration to be made by the Purchaser to the Seller for the purchase of the Sale Shares
“Directors”	the director(s) of the Company
“EL127”	the Exploration Licence that has been issued and registered in the name of the Pakistani Target Company and in respect of which an application for conversion into a Mining Lease has been lodged with the applicable regulatory authorities in Pakistan
“Exploration Licence”	an exploration licence as defined in Division 3 of the Balochistan Mineral Rules
“Group”	the Company and its subsidiaries
“Guarantor”	New Promise International Limited, a company incorporated in the British Virgin Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JORC Code”	has the same meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 December 2017 or such other date as agreed in writing between the Seller and the Purchaser
“Material Adverse Change”	any material adverse change to the Pakistani regulatory framework that has been enacted during the period commencing on the date of the Agreement and ending on the Completion
“Mining Lease”	a mining lease as defined in section Division 5 of the Balochistan Mineral Rules
“Pakistan”	the Islamic Republic of Pakistan
“Pakistani Target Company”	Reko Garok Gold Minerals (Private) Limited, a company incorporated under the laws of Pakistan
“Proposed Acquisition”	the completion of sale and purchase of the Sale Shares in accordance with the Agreement
“Purchaser”	Bright Quality Management Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Resource”	a mineral resource made up of measured and/or indicated and/or inferred resource categories as defined in, and compliant with, the JORC Code or the SAMREC Code
“Resource Report”	report to be prepared by an independent and duly qualified competent person that confirms, to the satisfaction of the Purchaser in its sole discretion, the existence of a Resource within the EL127 Exploration Licence area in accordance with the SAMREC Code or the JORC Code
“Revised Valuation Report”	a valuation report on the EL127 Exploration Licence to be prepared by The CloudMiner Ltd or such other independent and duly qualified valuer to be mutually agreed by the Purchaser and Seller in writing

“Sale Shares”	100% of the issued equity interest in the BVI Target Company, comprising entire issued share capital, from the Seller upon and subject to the terms and conditions set out in the Agreement such that upon completion of the transfer to the Purchaser of the Sale Shares and upon completion of the Shareholding Restructuring, the Company will, through its wholly-owned interest in the Purchaser (i) have a 30% of the indirect equity interest in the issued share capital of the Target Company and (ii) a 21% of the indirect equity interest in the issued share capital of the Pakistani Target Company
“SAMREC Code”	has the same meaning as defined in the Listing Rules
“Seller”	Mr. Ma Chi Kwan
“Share(s)”	the ordinary share(s) of HK0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Shareholding Restructuring”	prior to Completion Date, transfer of 10% of the issued share capital from holder(s) of the Target Company to the BVI Target Company, such that the BVI Target Company holds 30% of the issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Reko Garok Minerals Investment Corporation
“Target Group”	the BVI Target Company, the Target Company, the Pakistani Target Company and the EL127 Exploration Licence
“Total Consideration”	the total payment for the Sale Shares upon completion of the Proposed Acquisition is HK\$146,000,000, which shall be paid by the Purchaser to the Seller in cash

“US\$” U.S. dollars, the lawful currency of United States of America

“%” per cent

*In this announcement, the conversion of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 to HK\$7.75 and is for illustrative purposes only.*

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

Hong Kong, 28 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. Phen Chun Shing Vincent. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Tsui Pang.*