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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)

SUPPLEMENTAL AGREEMENT TO THE DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the Company dated 6 July 2015 (the “**Announcement**”) in relation to the Acquisition. Unless the context requires otherwise, terms used herein shall have the same meanings as those defined in the Announcement.

SUPPLEMENTAL AGREEMENT

On 3 January 2017, the Company and the Sellers entered into a supplemental agreement to the Acquisition Agreement (the “**Supplemental Agreement**”) to amend the Acquisition Agreement dated 6 July 2015. The principal terms of the Supplemental Agreement are set out below:

Date : 3 January 2017

Parties : (1) the Company as the Purchaser; and
(2) the Sellers

* For identification purpose only

Background

The Company and the Sellers entered into the Acquisition Agreement on 6 July 2015, with the Sellers pursuant to which the Company conditionally agreed to acquire and the Sellers conditionally agreed to sell 100% equity interest in Minex for a total consideration of US\$28,000,000 (equivalent to approximately HK\$217,000,000). Minex held a CSPA for purchase of 75% of the issued and outstanding share capital in PT RTJ. PT RTJ holds a concession located near the Garini deposit with significant potential to host an economic gold resource.

Pursuant to the Acquisition Agreement, the Company shall pay to the Sellers US\$4,000,000 (equivalent to approximately HK\$31,000,000) in Consideration Shares (the “**Original Consideration**”) within 10 business days after the date on which completion of the PT RTJ PMA Conversion. The PT RTJ PMA Conversion shall be completed on or before the Long Stop Date.

Amendments to the Acquisition Agreement

1. As the license held by PT RTJ is due to expire in early 2017, a formal tender process was conducted by the relevant government authority to award a new mining license covering the same area as the original license held by PT RTJ (the “**New Mining License**”). The New Mining License was successfully tendered for by PT Bulawan Boltim Primas (“**PT BBP**”). The Sellers have since made arrangements for Minex, a wholly-owned subsidiary of the Company, to acquire 75% of the issued share capital of PT BBP on the same terms as it would have acquired PT RTJ under the Acquisition Agreement. The license held by PT RTJ has since been revoked.
2. The Sellers have also made arrangements for Minex to acquire 75% of the issued share capital of PT Kotabunan Emas Prima (“**PT KEP**”) which has successfully tendered for the mining license adjacent to the New Mining License held by PT BBP.
3. The new consideration of acquiring all issued share capital of PT BBP and PT KEP is equivalent to the value of the Original Consideration of US\$4,000,000 but will be settled in cash as opposed to Consideration Shares (the “**New Consideration**”).
4. Payment of the New Consideration shall be made within 10 business days from the date of completion of all the relevant agreements for the issue of new shares in PT BBP and PT KEP to Minex but no later than 30 June 2017, or other date mutually consent by both parties in writing.

Save as amended by the Supplemental Agreement, the Acquisition Agreement shall remain in full force and effect in all respects.

INFORMATION ABOUT PT BBP AND PT KEP

PT BBP is a limited liability company incorporated under the laws of Indonesia, with registration number 09.03.1.46.71887 whose registered office is at Jalan Warung Buncit Raya No. 9B, Jakarta Selatan, holds a concession located near the concession held by PT Bolmong Timur Primanusa Resources (“**PT BTPR**”) that together contain several deposits with significant potential to host an economic gold resource.

PT KEP is a limited liability company incorporated under the laws of Indonesia, with registration number 09.03.1.46.71069 whose registered office is at Jalan Warung Buncit Raya No. 9B, Jakarta Selatan, holds a concession located adjacent to the concession held by PT BBP.

The issued share capital of PT BBP and PT KEP are jointly held by Mr. Jackson Andre William Kumaat (“**Mr. Jackson**”) and his associates. Mr. Jackson is a director of PT BTPR, a non wholly-owned subsidiary of the Company.

REASONS AND BENEFITS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT

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**”) upon entering into the Acquisition Agreement with the Sellers on 6 July 2015.

The New Mining License held by PT BBP and the PT KEP Mining License held by PT KEP both have an effective period of 7 years. This provides the Group with more time to develop plans to exploit the mineral resources and produce saleable gold bearing concentrate. By adding the PT KEP Mining License which is adjacent to the area of the New Mining License held by PT BBP, the Group will be able to build a more comprehensive gold assets portfolio encompassing exploration, development and production stage assets.

The Directors are of the opinion that the terms of the Supplemental Agreement, including the New 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 Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) are more than 5% but less than 25%, the payment of the New Consideration constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, PT BTPR is an indirect non wholly-owned subsidiary of the Company. The issued share capital of PT BBP and PT KEP are jointly owned by Mr. Jackson, a director of PT BTPR and his associates (as defined under the Listing Rules). Accordingly, Mr. Jackson and his associates are connected persons (as defined under the Listing Rules) of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Board has approved the execution of the Supplemental Agreement; and the independent non-executive directors of the Company have confirmed that (i) the terms of the Supplemental Agreement are fair and reasonable; and (ii) the Supplemental Agreement is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole. Accordingly, pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between Minex, the wholly-owned subsidiary of the Company and Mr. Jackson and his associates, a connected person at the subsidiary level of the Company is exempt from the circular, independent financial advice and shareholders' approval requirements.

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, 3 January 2017

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.