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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 AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT TO
THE VENDOR FINANCING AGREEMENT**

SUPPLEMENTAL AGREEMENT TO THE VENDOR FINANCING AGREEMENT

The Board is pleased to announce that TGL, a non wholly-owned subsidiary of the Company and SepGold have entered into a Supplemental Agreement to the Vendor Financing Agreement on 24 April 2017 (after trading hours). Pursuant to the Supplemental Agreement, (1) the Interest accrued on the Loan for the period from 1 April 2016 to 31 January 2017 will be waived; (2) the clauses relating to the Interest in the Vendor Financing Agreement will be deleted and; (3) the repayment date will be extended to 31 December 2020.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of Interest Waiver would be less than 5% and in respect of the Clause 8 Deletion and the Extension would be more than 5% and less than 25%. The proposed Transaction thereunder will constitute financial assistance by TGL to SepGold. Since SepGold is a substantial shareholder of TGL by holding a 24.02% direct interest in TGL, SepGold is therefore a connected person of the Company at the subsidiary level, and the proposed Transaction will constitute a discloseable transaction and a connected transaction for the Company under the requirements of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

* For identification purposes only

An SGM circular containing, among other things, details of the Supplemental Agreement, together with a notice of SGM and the related proxy form, will be dispatched to the Shareholders as soon as practicable.

BACKGROUND

This announcement is made by the Company pursuant to Rules Chapter 14 and Chapter 14A of the Listing Rules.

Reference is made to the circular of the Company dated 28 July 2011 in relation to, among others, the very substantial acquisition of up to 86.966% of TGL.

TGL is the Company's principal, and a non-wholly owned subsidiary and under the Charter pursuant to the provisions of Section 100(2) of the MPRDA, it must have at least 26% of its shareholding beneficially owned either directly by HDSAs and/or by Qualified BEE Companies.

Arctic Sun qualifies as a Qualified BEE Company because approximately 50.1% of its shares are held by several HDSAs. The remaining 49.9% shareholding in Arctic Sun is held indirectly by the Company. Taung Gold EPP also qualifies as a Qualified BEE Company because approximately 50.1% of its shares are held by the Taung Gold EPP Trust, a trust formed principally for the benefit of HDSAs. The remaining 49.9% shareholding in the Taung Gold EPP is held indirectly by the Company. Other than its direct or indirect interest in TGL, neither Arctic Sun nor Taung Gold EPP has any material assets or liabilities. As at the date of this announcement, SepGold and Taung Gold EPP holds 24.02% and 1.98% issued share capital of TGL respectively, thus TGL has 26% of its shareholding (in aggregate) beneficially owned by the Qualified BEE Companies, compliant with under the Charter pursuant to the provisions of Section 100(2) of the MPRDA.

The Vendor Financing Agreement

On 22 July 2011, TGL and SepGold entered into the Vendor Financing Agreement. Pursuant to the Vendor Financing Agreement, TGL provided to SepGold by way of a loan an amount of approximately ZAR433 million (equivalent to approximately HK\$246 million) to SepGold to enable it to subscribe for 39,402,071 TG Shares so that the BEE Requirement could be maintained. The Vendor Financing Agreement has no expiration date but the Loan was repayable on or before 31 December 2014 on an interest-free basis. If the Loan was not repaid in full by this date, it would accrue interest at the prime rate quoted by ABSA Bank from time to time plus 4% compounded annually in arrears (the "**Interest**").

The Loan was not repaid by 31 December 2014 and interest accrued thereon (i) for the period from 1 January 2015 to 31 March 2016 in the amount of approximately ZAR72 million (equivalent to approximately HK\$40.9 million); and (ii) for the period from 1 April 2016 to 31 March 2017 in the amount of approximately ZAR70.8 million (equivalent to approximately HK\$40.2 million). The total Interest that would have accrued from 1 January 2015 and would have been payable upon repayment of the Loan on 31 December 2020 if no Interest was being waived, would have been an amount of ZAR439.1 million (equivalent to approximately HK\$249.5 million).

Principal Terms of the Supplemental Agreement

On 24 April 2017, the TGL and SepGold entered into a supplemental agreement to the Vendor Financing Agreement (the “**Supplemental Agreement**”). The principal terms of the Supplemental Agreement are set out below:

Dated: 24 April 2017

Parties: TGL and SepGold

1. The proposed waiver of the interest accrued on the Loan for the period from 1 April 2016 to 31 March 2017 in the amount of ZAR70.8 million (equivalent to approximately HK\$40.2 million), payable by SepGold to TGL under the Vendor Financing Agreement (the “**Interest Waiver**”);
2. The proposed deletion in its entirety of clause 8 of the Vendor Financing Agreement and all other references in the Vendor Financing Agreement to clause 8 or to the payment of any Interest (the “**Clause 8 Deletion**”); and
3. The proposed extension of the repayment date as set out in the Vendor Financing Agreement to 31 December 2020 (the “**Extension**”).

IMPACT ON THE GROUP’S ACCOUNTING TREATMENT

Regarding the Clause 8 Deletion and the Extension, the adjustment for the recalculation of the carrying amount by determining the present value of estimated future cash flows, is recognised in the statement of profit and loss as income or expenses. The loss recognised by the Group is represented by the difference between the carrying amount of the loan and the present value of future cash flows from the interest free loan to SepGold and will amount to approximately HK\$115 million for the year ended 31 March 2017. The interest income forfeited will amount to approximately HK\$34 million.

The basis for calculating the loss is the difference between the actual and revised estimated cash flows. The Group recalculates the carrying amount by determining the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate. The adjustment is recognised in the statement of profit and loss.

Financial information of TGL

For the year ended 31 March	2016		2015	
	ZAR'000	HKD'000	ZAR'000	HKD'000
	(Audited)		(Audited)	
Profit (loss) before taxation	976,765	554,980	(385,070)	(218,790)
Income tax expenses	–	–	–	–
Profit (loss) after taxation	976,765	554,980	(385,070)	(218,790)

REASONS AND BENEFITS

The Board believes that the proposed Transaction is in the best interests of the Company and its Shareholders as a whole for the following reasons:

(1) Tax liability and net cash out flow from the interest charge under the Vendor Financing Agreement

In terms of the Vendor Financing Agreement, SepGold is obliged to pay interest to TGL and TGL is, in turn, liable to settle a resulting tax liability at a rate of 28%. As a result, TGL will record a cash outflow in relation to the tax payable. Furthermore, TGL will not record any cash inflow since SepGold is unlikely to be able to repay the principal or interest on the loan at any time in the near future.

The proposed Transaction under the Supplemental Agreement would cause a negative impact on the profit and loss of the Company arising principally firstly because any interest income recorded by TGL will be consolidated into the consolidated financial statements of the Company, and secondly because the respective interest recorded by SepGold will be netted off, and this will be reflected as a share of loss in an associate of the Company, given the Company's 49.9% shareholding interest in SepGold. However, the Company nonetheless considered that SepGold is unlikely to be able to repay the principal or the Interest firstly because the shareholding in TGL is SepGold's only asset, and secondly because it is unlikely that TGL will distribute any dividend to its shareholders in the near future.

In summary, the tax liability and the net cash outflow will both negatively impact on the Group's cashflows, and this may in turn have a significant effect on the financial results of TGL, which is not in the interest of the Shareholders and the Company as a whole.

(2) Motivation for continuing involvement in development of gold mining projects

TGL has demonstrated notable progress with regard to its South African gold exploration projects in recent years. The Company considered that the contribution made by SepGold and its HDSA shareholders to such progress was instrumental. As a result, the granting of the Interest Waiver to SepGold may acknowledge and commend the contribution made by SepGold and its HDSA shareholders.

In addition, the Directors considered that the Clause 8 Deletion and the Extension may enable SepGold and its HDSA shareholders to fully participate in TGL's future development, since it would encourage SepGold and its HDSA shareholders to continue to contribute towards the development of the Company's South African projects.

The Directors (including the Independent Non-executive Directors) consider that the terms of the proposed Transaction are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY, TGL, ARCTIC SUN AND SEPGOLD

The Company is an investment holding company and its subsidiaries are principally engaged in the exploration and development of gold assets in South Africa and Indonesia.

TGL is a company incorporated under the laws of South Africa and engaged in the exploration and development of gold assets in South Africa. TGL holds the mining licence of its flagship Evander No.6 Shaft Project and the exploration licence of its Jeanette Project.

Arctic Sun is an investment holding company incorporated under the laws of South Africa. The sole business purpose of Arctic Sun is to hold the shares of SepGold as an HDSA to fulfil the BEE Requirement. As at the date of this announcement, the Company indirectly holds 49.9% of the issued share capital of Arctic Sun.

SepGold is an investment holding company incorporated under the laws of South Africa. As at the date of this announcement, SepGold is a wholly-owned subsidiary of Arctic Sun, a Qualified BEE Company. SepGold is also a substantial shareholder of TGL by holding 24.02% of the issued share capital of TGL.

LISTING RULES IMPLICATIONS

SepGold is a substantial shareholder of TGL. TGL is a non-wholly owned subsidiary of the Company and therefore SepGold is a connected person of the Company at its subsidiary level. The Interest Waiver by TGL to SepGold therefore constitutes a connected transaction (financial assistance) of the Company. It is currently expected that all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Interest Waiver are less than 5%. In the meantime, all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Clause 8 Deletion and the Extension are over 5% but less than 25%. The Clause 8 Deletion and the Extension constitute a discloseable transaction and a connected transaction of the Company under Chapter 14 and 14A of the Listing Rules.

An SGM circular containing, among other things, details of the proposed Transaction, together with a notice of SGM and the related proxy form, will be dispatched to the Shareholders as soon as practicable.

GENERAL

No directors of the Company and the TGL have any material interests in the proposed Transaction.

DEFINITIONS

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

“Arctic Sun”	Arctic Sun Trading 56 (Pty) Ltd., a private company incorporated in South Africa with limited liability
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“BEE Requirement”	The requirement that Taung Gold, being a company primarily engaged in the exploration and/or development of mineral resources in South Africa, must have at least 26% of its shareholding beneficially owned either directly by HDSAs or by a Qualified BEE Company(ies)
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time, and “Bye-law” shall be construed accordingly

“Charter”	The South African broad-based socio-economic empowerment charter for the mining industry adopted pursuant to the MPRDA
“Company”	Taung Gold International Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its Subsidiaries
“HDSA”	a historically disadvantaged South African as defined in the Charter read with the MPRDA
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Chui Man Lung, Everett, Mr. Li Kam Chung and Mr. Tsui Pang, established to advise the Independent Shareholders on the Transaction
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction
“Independent Shareholders”	in respect of the proposed Transaction, Shareholders other than SepGold and its respective associates
“Loan”	A loan provided by TGL to SepGold under the Vendor Financing Agreement dated 22 July 2011, for the amount of ZAR433,066,688

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MPRDA”	the South African Mineral and Petroleum Resources Development Act 28 of 2002
“Qualified BEE Company”	a company controlled by HDSAs
“SepGold”	Sephaku Gold Holdings (Pty) Limited, a company incorporated in South Africa with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary of the Company (within the meaning of the Listing Rules)
“SGM”	a special general meeting of the Company
“Taung Gold” or “TGL”	Taung Gold (Pty) Limited, a company incorporated with limited liability in South Africa and the principal non-wholly owned Subsidiary of the Company
“Taung Gold EPP”	Taung Gold EPP (Pty) Limited, a company incorporated with limited liability in South Africa and majority controlled by the Taung Gold EPP Trust
“Taung Gold EPP Trust”	Taung Gold EPP Trust, an employee participation plan trust duly registered under the laws of South Africa, the beneficiaries of which are and will be persons who carry out work for TGL and primarily HDSAs
“TG Shares”	ordinary shares of ZAR0.001 each in the issued share capital of TGL

“Transaction”	collectively, the Interest Waiver, the Clause 8 Deletion and the Extension
“Vendor Financing Agreement”	A vendor financing agreement dated 22 July 2011 entered into between TGL and SepGold for the purpose of complying with the BEE Requirement pursuant to which TGL granted a loan of up to approximately ZAR433 million to SepGold, to enable SepGold to subscribe for a maximum of 39,402,071 TG Shares as necessary to meet the BEE Requirement
“ZAR”	South African rand, the lawful currency of South Africa
“%”	per cent.

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, HK\$ amounts have been converted using the rate of ZAR1.76:HK\$1. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

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

Hong Kong, 24 April 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.