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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 2018**

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 2018 together with the comparative figures as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended	
		30 September	
		2018	2017
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(unaudited)	(unaudited)
Other income	3	9,490	21,948
Other gains and losses	4	(327)	(191)
Administrative and operating expenses		(22,454)	(40,197)
Loss on relinquishment of a mining licence		–	(30,333)
Share of results of associates		(1)	(5)
		<hr/>	<hr/>
Loss before taxation		(13,292)	(48,778)
Income tax expense	5	–	–
		<hr/>	<hr/>
Loss for the period	6	(13,292)	(48,778)

* For identification purpose only

	Six months ended	
	30 September	
	2018	2017
<i>Notes</i>	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other comprehensive (expense) income for the period:		
Item that may be subsequently reclassified to profit or loss:		
Exchange difference on translation of foreign operation	<u>(124,216)</u>	<u>6,969</u>
Total comprehensive expense for the period	<u>(137,508)</u>	<u>(41,809)</u>
Loss for the period attributable to:		
Owners of the Company	<u>(13,375)</u>	<u>(45,949)</u>
Non-controlling interests	<u>83</u>	<u>(2,829)</u>
	<u>(13,292)</u>	<u>(48,778)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(111,006)	(40,467)
Non-controlling interests	<u>(26,502)</u>	<u>(1,342)</u>
	<u>(137,508)</u>	<u>(41,809)</u>
Loss per share	8	
Basic (HK cents)	(0.07)	(0.25)
Diluted (HK cents)	<u>(0.07)</u>	<u>(0.25)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	30 September 2018 <i>HK\$'000</i> (unaudited)	31 March 2018 <i>HK\$'000</i> (audited)
Non-current assets		
Property, plant and equipment	2,963	3,588
Exploration assets	4,497,654	4,571,246
Interests in associates	648	648
Loans to shareholders of a subsidiary	81,278	121,539
Deposits for acquisition of investments	60,000	60,000
Pledged bank deposits	695	3,334
	4,643,238	4,760,355
Current assets		
Other receivables, prepayment and deposits	6,408	13,218
Restricted bank deposits	120,235	120,235
Bank balances and cash	138,471	162,906
	265,114	296,359
Current liabilities		
Other payables and accruals	4,500	12,778
	260,614	283,581
Net current assets	260,614	283,581
Total assets less current liabilities	4,903,852	5,043,936
Non-current liabilities		
Provision of rehabilitation costs	12,907	15,483
Net assets	4,890,945	5,028,453
Capital and reserves		
Share capital	181,515	181,515
Reserves	3,729,464	3,840,471
Equity attributable to owners of the Company	3,910,979	4,021,986
Non-controlling interests	979,966	1,006,467
Total equity	4,890,945	5,028,453

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION AND PRINCIPAL 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. 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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

In the current interim period, the Group has applied, for the first time, new amendments and interpretations to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are mandatorily effective for the annual period beginning 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements.

In the opinion of the directors of the Company, application of the new amendments and interpretations to HKFRSs issued by the HKICPA has had no material effect on the amounts reported and/or disclosures for the preparation of the Group’s 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.

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 2018

	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	499	—	—	499
Unallocated other income				9,490
Unallocated other gain and losses				(327)
Unallocated corporate expenses				(22,953)
Share of result of associates				(1)
Loss before taxation				(13,292)

For the six months ended 30 September 2017

	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	(5,843)	(31,784)	—	(37,627)
Unallocated other income				21,948
Unallocated other gains and losses				(191)
Unallocated corporate expenses				(32,903)
Share of result of associates				(5)
Loss before taxation				(48,778)

3. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income on loan to shareholders of a subsidiary	8,903	20,665
Interest income on bank deposits	587	1,283
	<u>9,490</u>	<u>21,948</u>

4. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Foreign exchange loss	(318)	–
Others	(9)	–
Loss on disposal of property, plant and equipment	–	(191)
	<u>(327)</u>	<u>(191)</u>

5. INCOME TAX EXPENSE

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

Under South African tax law, the corporate tax rate is 28% on taxable profits of South African subsidiaries. The income tax expenses of the Group represented the corporate tax arising from the South African subsidiaries. No provision for taxation has been made for both periods as the subsidiaries in South Africa have no assessable profits.

Under Indonesian tax law, the corporate tax rate is calculated at 25% on taxable profits of Indonesian subsidiary. No provision for taxation has been made for both periods as the subsidiary in Indonesia has no assessable profit.

6. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Depreciation for property, plant and equipment	504	339
Operating lease rentals in respect of rented premises	1,059	1,090
Staff costs (including directors' emoluments)		
Salaries and other benefits	10,011	14,970
Contributions to retirement benefits schemes	170	143
Less: Amounts capitalised in exploration assets	(3,431)	(3,670)
	<u>6,750</u>	<u>11,443</u>

7. DIVIDEND

The Board of Directors has resolved not to recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

8. LOSS PER SHARE

The calculations of basic and diluted loss per share for the six months ended 30 September 2018 together with the comparative figures for 2017 are as follows:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(13,375)</u>	<u>(45,949)</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>18,151,472</u>	<u>18,151,472</u>

The computation of diluted loss per share for both periods did not assume the exercise of the Company's share options since it would result in a decrease in loss per share.

9. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2018 and 30 September 2018	<u>30,000,000,000</u>	<u>300,000</u>
Issue and fully paid:		
At 31 March 2018 (audited)	<u>18,151,471,981</u>	<u>181,515</u>
At 30 September 2018 (unaudited)	<u>18,151,471,981</u>	<u>181,515</u>

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

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\$13,375,000 or a loss of HK0.07 cents per share (basic), compared with a net loss attributable to owners of the Company for the period ending 30 September 2017 of approximately HK\$45,949,000 or loss of HK0.25 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 2018 (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group’s had no outstanding bank borrowings (31 March 2018: Nil) and no banking facilities (31 March 2018: Nil).

The Group’s gearing ratio as at 30 September 2018 was zero (31 March 2018: zero), calculated based on the Group’s total zero borrowings (31 March 2018: zero) over the Group’s total assets of approximately HK\$4,908,352,000 (31 March 2018: HK\$5,056,714,000).

As at 30 September 2018, the balances of cash and cash equivalents of the Group were approximately HK\$138,471,000 (31 March 2018: HK\$162,906,000) 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 2018, the Group operated mainly in 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 arise.

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 permitting and the study work for the Evander and Jeanette projects. The Company has not conducted any mining or production activities during the period under review.

The Evander Project

The Evander Project is located in the Evander Goldfield on the northeastern limb of the Witwatersrand Basin and is close to the town of Secunda in South Africa's Mpumalanga, Province. Taung Gold Secunda (Pty) Limited (“TGS”), a wholly owned subsidiary of Taung Gold (Pty) Limited (“TGL”), is the registered holder of mining right (the “Evander Mining Right”), in terms of the Minerals and Petroleum Resources Development Act (“MPRDA”), for the Evander Project. During the period under review ZAR5.53m 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.

MINERAL RESOURCE CLASSIFICATION	Mining Tonnes (Mt)	Mining Width (cm)	Mining Grade (g/t)	Mining Grade (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (t)	Gold (MOz)
Total Project Mineral Resources at 500cmg/t Cut-off Grade								
Measured	0.11	119	10.18	1,211	82	14.80	1.09	0.04
Indicated	19.75	112	8.47	948	74	12.76	167.18	5.37
Inferred	9.51	111	7.12	796	64	12.43	67.77	2.18
Total Measured and Indicated	19.85	112	8.47	949	74	12.78	168.27	5.41
TOTAL MINERAL RESOURCES (Note)	29.37	112	8.05	900	71	12.68	236.04	7.59

Note:

The information in this report that relates to the Mineral Resource for the Evander Project is based on information compiled by Mr. Garth Mitchell, who is a full time employee of ExplorMine Consultants, an independent mineral resources consultancy engaged by Taung Gold (Pty) Limited. Mr. Mitchell is a Member of the Southern African Institute of Mining and Metallurgy and a member of the Geological Society of South Africa. Mr. Mitchell has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities that he has undertaken to qualify as a Competent Person as defined in the 2007 Edition (amended July 2009) of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves. Mr. Mitchell has consented to the inclusion in this report of the matters based on information provided by him, in the form and context in which they appear.

Expenditure on the Evander Project for the period ended 30 September 2018:

Consultants & Service providers	ZAR0.39m
Staffing	ZAR3.10m
Overheads	<u>ZAR2.04m</u>
Total	<u>ZAR5.53m</u>

The Jeanette Project

The Jeanette Project is located in the northern region of the Free State goldfield close to the town of Allanridge and Nyakallong, within the southwest limb of the Witwatersand Basin in South Africa's Free State Province.

Taung Gold Free State (Pty) Limited (“**TGFS**”), a wholly owned subsidiary of TGL, is the registered holder of the mining right (the “**Jeanette Mining Right**”) in terms of the Minerals and Petroleum Resources Development Act (“**MPRDA**”) for the Jeanette Project. During the period under review ZAR4.16m 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.

MINERAL RESOURCE CLASSIFICATION	In-situ Tonnes (Mt)	Evaluation Width (cm)	Grade above cut-off (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold	
						(t)	(MOz)
Total Project Mineral Resources at 341cmg/t Cut-off Grade for Basal Reef and 374cmg/t for the A-Reef							
Indicated (Black Chert Facies)	13.10	100	852	38	22.41	293.60	9.44
Inferred (Black Chert Facies)	0.84	100	670	38	17.63	14.81	0.48
Inferred (Overlap Facies)	2.49	100	506	63	8.03	19.99	0.64
Inferred (A-Reef)	30.08	113	585	114	4.86	146.17	4.70
Total Indicated	13.10	100	852	38	22.41	293.60	9.44
Total Inferred	33.41	112	553	108	5.42	180.97	5.81
TOTAL MINERAL RESOURCES <i>(Note)</i>	46.51	109	896	92	10.20	474.57	15.26

Note:

The information in this report that relates to the Mineral resources for the Jeanette Project is based on information compiled by Mr. David Young, who is a Member of the Southern African Institute of Mining and Metallurgy, a Fellow of the Geological Society of South Africa and, a Fellow of the Australasian Institute of Mining and Metallurgy. Mr. Young has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activities that he has undertaken to qualify as a Competent Person as defined in the 2007 Edition (amended July 2009) of the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves. Mr. Young has consented to the inclusion in this report of matters based on information provided by him, in the form and context in which they appear.

Expenditure on the Jeanette Project for the period ended 30 September 2018:

Consultants & Service providers	ZAR1.01m
Staffing	ZAR1.90m
Overheads	ZAR1.25m
	<hr/>
Total	ZAR4.16m
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Minex and the Indonesian Assets (the “Minex Project”)

During 2017, the Board made the decision to downsize its Indonesian operations and in the previous interim report had disclosed that the licence held by PT BTPR had been relinquished and that termination letter had been issued by Governor of Sulawesi Utara on 2 October 2017. On 19 June 2018, the Company further announced that the corresponding letters for PT BBP and PT KEP had been received on 6 June 2018. As such, the whole carrying amount of the Indonesia assets was recognised as an impairment in the financial statements for the year ended 31 March 2018 in the Company’s 2018 annual report.

FUTURE PLANS FOR THE EVANDER PROJECT, JEANETTE PROJECT

The Evander Project

During the period under review the Company continues to engage with MCCI towards the finalization of a contract for the construction of the Evander Project the same objective and further announcements will be made in this regard in due course.

The sale process for TGS to dispose of its 100% interest in Holfontein Investements (Pty) Limited is progressing and it is expected that the sale will conclude during the first few months of 2019.

Work is continuing to amend the full EIA for the Evander project to reflect the positive changes regarding tailings disposal and to amend the Mining Works programme and Environmental Authorization, as disclosed in the 2018 Annual Report.

The Jeanette Project

On 28 April 2018 and as disclosed in the 2018 Annual Report, the Company entered into a Service Contract with MCCI to carry out the Feasibility Study for the Jeanette Project. The study is well advanced and it is expected that the results thereof will be announced during early 2019.

HUMAN RESOURCES

As at 30 September 2018, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 32 (2017: 46). 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 Independent non-executive Directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the by 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 2018. 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 unaudited consolidated financial statements for the six months ended 30 September 2018 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 AND COMPANY SECRETARY

Mr. Li Hok Yin, the Co-chairman and Executive Director of the Company, tendered his resignation as the Co-chairman and the Executive Director to the Company with effect from 18 September 2018. On the same date, Ms. Cheung Pak Sum, the Executive Director of the Company, was re-designated as the Co-chairman of the Company with immediate effect.

Ms. Wong Pui Yee resigned as the Company Secretary of the Company with effect from 5 October 2018. On the same date, Mr. Tung Yee Shing was appointed as Company Secretary 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
Co-chairman & Executive Director

Hong Kong, 28 November 2018

As at the date of this announcement, the Board comprises seven Directors. The Executive Directors are Ms. Cheung Pak Sum, Mr. Christiaan Rudolph de Wet de Bruin, Mr. Neil Andrew Herrick and Mr. Phen Chun Shing, Vincent. The Independent Non-executive Directors are Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang.