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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

INTERIM RESULTS

The board of directors (the “**Board**”) of Taung Gold International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019 together with the comparative figures for the corresponding period in 2018 as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Other income	3	966	9,490
Other gains and losses	4	(1,255)	(327)
Administrative and operating expenses		(14,820)	(22,454)
Share of results of associates		–	(1)
		<hr/>	<hr/>
Loss before taxation		(15,109)	(13,292)
Income tax expense	5	–	–
		<hr/>	<hr/>
Loss for the period	6	(15,109)	(13,292)
		<hr/>	<hr/>

* *For identification purpose only*

	Six months ended	
	30 September	
	2019	2018
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Other comprehensive expense for the period:		
Item that may be subsequently reclassified to profit or loss:		
Exchange difference on translation of foreign operation	<u>(25,655)</u>	<u>(124,216)</u>
Total comprehensive expense for the period	<u>(40,764)</u>	<u>(137,508)</u>
Loss for the period attributable to:		
Owners of the Company	(13,410)	(13,375)
Non-controlling interests	<u>(1,699)</u>	<u>83</u>
	<u>(15,109)</u>	<u>(13,292)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(32,362)	(111,006)
Non-controlling interests	<u>(8,402)</u>	<u>(26,502)</u>
	<u>(40,764)</u>	<u>(137,508)</u>
Loss per share	8	
Basic (HK cents)	(0.07)	(0.07)
Diluted (HK cents)	<u>(0.07)</u>	<u>(0.07)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	30 September 2019	31 March 2019
<i>Note</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Non-current assets		
Property, plant and equipment	3,595	2,713
Exploration assets	3,754,980	3,774,891
Right-of-use assets	2,925	–
Interests in associates	626	626
Loans to shareholders of a subsidiary	3,702	3,913
Financial assets at fair value through profit or loss	72,305	76,418
Deposits for acquisition of investments	60,000	60,000
Pledged bank deposits	–	2,057
	<u>3,898,133</u>	<u>3,920,618</u>
Current assets		
Other receivables, prepayment and deposits	18,822	7,505
Restricted bank deposits	981	–
Bank balances and cash	206,103	239,062
	<u>225,906</u>	<u>246,567</u>
Current liabilities		
Lease liabilities	1,677	–
Other payables and accruals	5,659	10,300
	<u>7,336</u>	<u>10,300</u>
Net current assets	<u>218,570</u>	<u>236,267</u>
Total assets less current liabilities	<u>4,116,703</u>	<u>4,156,885</u>
Non-current liabilities		
Lease liabilities	1,254	–
Provision of rehabilitation costs	11,802	12,474
	<u>13,056</u>	<u>12,474</u>
Net assets	<u>4,103,647</u>	<u>4,144,411</u>
Capital and reserves		
Share capital	9 181,515	181,515
Reserves	3,109,006	3,141,368
Equity attributable to owners of the Company	<u>3,290,521</u>	<u>3,322,883</u>
Non-controlling interests	813,126	821,528
Total equity	<u>4,103,647</u>	<u>4,144,411</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

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 2019 for the preparation of the Group’s condensed consolidated financial statements.

Except as described below, 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.

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations when it became effective.

Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of warehouses and office premises buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value and subsequently at amortised cost. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 modified retrospective approach and has not restated comparative amounts with the cumulative effect recognised at the date of initial application, 1 April 2019. Right-of-use assets relating to the Group's operating leases are measured at the amount of lease liabilities on initial application by applying HKFRS 16 transition, adjusted by the amount of any prepaid or accrued lease liabilities.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

The Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The lessee's incremental borrowing rates applied by the relevant entities is 4.51% per annum.

As disclosed as at 31 March 2019, the Group had operating lease commitment of HK\$1,276,000, the whole amount was relating to leases with terms less than 12 months and therefore Recognition exemption applied.

On 2 July 2019, the Group entered into a lease for its office premise as lessee for 24 months, and HK\$3,343,000 was recognized as initial Right-of-use assets to the Group.

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; and
- (b) 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 2019

	Gold exploration and development in South Africa <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	(7,931)	—	(7,931)
Unallocated other income			452
Unallocated other gains and losses			(406)
Unallocated corporate expenses			(7,224)
Share of result of associates			—
Loss before taxation			(15,109)

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

3. OTHER INCOME

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest income on loan to shareholders of a subsidiary	—	8,903
Interest income on bank deposits	907	587
Others	59	—
	966	9,490

4. OTHER GAINS AND LOSSES

	Six months ended	
	30 September	
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Foreign exchange loss	(1,177)	(318)
Others	(146)	(9)
Gain on disposal of property, plant and equipment	68	–
	<u>(1,255)</u>	<u>(327)</u>

5. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors of the Company consider the amounts involved upon implementation of the two-tiered profits tax rates regime as insignificant to the unaudited consolidated financial statements.

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.

6. LOSS FOR THE PERIOD

	Six months ended	
	30 September	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging/(crediting):		
Depreciation for property, plant and equipment	374	504
Minimum operating lease payments in respect of rented premises	1,021	1,059
Staff costs (including directors' emoluments)		
Salaries and other benefits	8,005	10,011
Contributions to retirement benefits schemes	138	170
Less: Amounts capitalised in exploration assets	(2,348)	(3,431)
	<u>5,795</u>	<u>6,750</u>

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

8. LOSS PER SHARE

The calculations of basic and diluted loss per share for the six months ended 30 September 2019 together with the comparative figures for 2018 are as follows:

	Six months ended	
	30 September	
	2019	2018
	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>(13,410)</u>	<u>(13,375)</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 calculation of diluted loss per share for both periods did not assume the exercise of the Company's outstanding share options as assuming exercise of these options would result in a decrease in loss per share.

9. SHARE CAPITAL

	Number of shares	Share capital
		HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 31 March 2019 and 30 September 2019	<u>30,000,000,000</u>	<u>300,000</u>
Issue and fully paid:		
At 31 March 2019 (audited)	<u>18,151,471,981</u>	<u>181,515</u>
At 30 September 2019 (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 investment holding, trading of minerals and exploration, development and mining of gold and associated minerals in the Republic of South Africa (“**South Africa**”).

During the period under review, the Group recorded a basic loss attributable to owners of the Company of approximately HK\$13,410,000 or basic loss of HK0.07 cents per share, compared with a basic loss attributable to owners of the Company for the period ended 30 September 2018 of approximately HK\$13,375,000 or basic loss of HK0.07 cents per share.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group had no outstanding bank borrowings (31 March 2019: Nil) and no banking facilities (31 March 2019: Nil).

The Group’s gearing ratio as at 30 September 2019 was zero (31 March 2019: zero), calculated based on the Group’s total zero borrowings (31 March 2019: zero) over the Group’s total assets of approximately HK\$4,124,039,000 (31 March 2019: HK\$4,167,185,000).

As at 30 September 2019, the balance of cash and cash equivalents of the Group was approximately HK\$206,103,000 (31 March 2019: HK\$239,062,000) and were mainly denominated in Hong Kong Dollars, Renminbi, United States Dollars (“**USD**”) and South African Rand (“**ZAR**”).

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 2019, the Group operated mainly in South Africa, and the majority of the Group's transaction and balances were denominated in Hong Kong Dollars, Renminbi, USD and ZAR. 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 the following:

- Advancing the Feasibility Study for the Jeanette Project and activities associated with the Social & Labour Plan in the communities surrounding the project;
- Advancing the commercial arrangements for the Design & Build Contract and financing for the Evander Project;
- The sale of Holfontein Investments (Pty) Limited (“**HIL**”); and
- Corporate activity with respect to the Pakistan Project.

As at 30 September 2019, the Company had 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 the mining right in terms of the Mineral and Petroleum Resources Development Act (“**MPRDA**”), for the Evander Project. During the period under review, ZAR5.74 million was spent on the Evander Project.

On 16 May 2016, the Company declared a maiden Mineral Reserve (Probable Reserve) from the Evander Project's Kimberley Reef horizon of 4.29 million ounces of gold, from 19.64 million tonnes of ore at an average 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 Evander Project.

MINERAL RESOURCE CATEGORY	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 announcement 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 TGL. Mr. Mitchell is a member for each of the South African Council for Natural Scientific Professions, the Southern African Institute of Mining and Metallurgy and 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 announcement 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 2019 was as follows:

	<i>ZAR million</i>
Consultants & Service providers	0.24
Staffing	4.20
Overheads	<u>1.30</u>
Total	<u>5.74</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 in terms of MPRDA for the Jeanette Project. During the period under review, ZAR8.15 million was spent on the Jeanette Project.

The Company declared 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 CATEGORY	In-situ Tonnes (Mt)	Evaluation Width (cm)	Grade above cut-off (cmg/t)	Channel Width (cm)	Channel Grade (g/t)	Gold (t)	Gold (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 (Note)	<u>46.51</u>	<u>109</u>	<u>896</u>	<u>92</u>	<u>10.20</u>	<u>474.57</u>	<u>15.26</u>

Note:

The information in this announcement that relates to the Mineral Resources for the Jeanette Project is based on information compiled by Mr. David Young, who is a full time employee of The Mineral Corporation, an independent mineral resources consultancy engaged by TGL. Mr. Young 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 announcement 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 2019 was as follows:

	<i>ZAR million</i>
Consultants & Service providers	2.14
Staffing	4.50
Overheads	<u>1.50</u>
Total	<u><u>8.15</u></u>

The Pakistan Project

*Reko Garok Gold Minerals (Private) Limited (“**The Pakistani Target Company**”)*

As disclosed in the previous announcement on 28 December 2016, the Pakistani Target Company was the legal holder of the EL127 Exploration License and has lodged an application for the conversion of the EL127 Exploration License into Mining Lease. The EL127 Exploration License will continue be effective until such time as the Mining Lease been issued.

According to a letter issued to the Pakistani Target Company by the Department of Mines and Minerals, Government of Balochistan on 16 February 2018, the Mining Lease was granted subject to the mineral agreement with the Government of Balochistan (the “**Agreement**”) and the No Objection Certificate issued by the Environmental Protection Agency of the Government of Balochistan (the “**NOC**”). The Pakistani Target Company has lodged the execution of the Agreement and the NOC accordingly. On 6 April 2018 and 19 May 2018, both the Agreement and the NOC have been executed and obtained and hence, the Mining Lease is valid and legally held by the Pakistani Target Company and thus EL127 will convert to ML127 as per the Mining Lease.

The granting of the Mining Lease is a first mover process in tapping into one of the largest hosts of world-class copper-gold porphyry mineralization. The Board will continue to monitor the development of the Pakistani Target Company and the ML127.

The JV with FWO

On 9 June 2017, Taung Gold International Limited, a non-wholly owned subsidiary of the Company incorporated in the British Virgin Islands entered into Joint Venture Agreement (the “**JV**”) with Frontier Works Organization (“**FWO**”) for the “Tanjeel H4 Deposit”. The Company has prepared the Pre-Qualification Document (the “**PQD**”) in accordance with the public announcement made by the Mines and Mineral Department of the Government of Balochistan regarding the invitation for Expressions of Interest for the “Tanjeel H4 Deposit” (the “**PQD Submission**”). The result of the PQD Submission is yet to be announced as a result of delays in political and administration processes due to the Pakistan general election in 2018. Hence, in view of the lack of clarity regarding the outcome of the PQD Submission, the Company has re-negotiated the JV with FWO and has recovered the USD15.4 million remaining deposit as per the Joint Venture Agreement on 27th February 2019. The Board will continue to monitor the result of the PQD Submission and the development of the “Tanjeel H4 Deposit”.

FUTURE PLANS FOR THE EVANDER PROJECT AND THE JEANETTE PROJECT

The Evander Project

Contract for the Construction of the Evander Project

As disclosed in 2019 Annual Report, the Company and MCCI International Incorporation Limited (“MCCI”) decided to await the results of the Jeanette feasibility study before committing further time and resources to the contract for the Evander Project. This decision was underpinned by early indications that the Jeanette Project, as a result of the phased approach adopted by the Company and MCCI, would require a lower amount of capital funding and a faster lead-time to first production. The capital cost and lead-time to first production are fundamental to how potential investors look at large-scale gold projects and have a significant bearing on their appetite to commit funding. During the period under review, the feasibility study results of the Jeanette Project has been released and the relevant announcement has been published on 30 August 2019. Therefore, Company has commenced to prepare the binding term sheet for the Evander Project and discussions with MCCI are ongoing.

The work that remains outstanding on the Evander Project contract is as follows:

- (a) Agree and execute the binding term sheet;
- (b) Commence discussions with potential equity and debt financiers;
- (c) Undertake and finalise the tender process for the shaft-sinking portion of the project;
- (d) Complete drafting of the contract and execute with MCCI;
- (e) Finalisation of funding (equity and debt) package;
- (f) Award of shaft-sinking contract and other work packages; and
- (g) Early works and mobilisation.

The estimated time frame for the remaining work for the Evander contract will be 12-18 months from the date of a decision to continue. The Company will keep its shareholders informed of any material development in this regard in due course.

Disposal of HIL

During the period under review, the sale process for TGS to dispose of its 100% interest in HIL, whose sole asset is the Mining Right for coal in terms of MPRDA, is still processing.

As disclosed in the Company's 2019 Annual Report, the Company is in the final stage of negotiations with a potential buyer and a draft Sale of Shares and Claims Agreement has been exchanged and the terms and conditions therein have been agreed, in principle. The potential buyer is still arranging the proof of funds and other documentation to the Company's satisfaction so that the Company can be confident of completion, subject to the granting of Section 11 change of control consent ("**Section 11 Consent**") under the MPRDA.

In both local and global terms, HIL is classified as a small coal project and therefore does not appeal to medium and large-scale South African coal producers. As such, the list of potential buyers is confined to junior coal producers and "aspiring producer" companies and is a relatively small group. The coal products anticipated to be produced by HIL will primarily be for the export market and therefore the funders of potential buyers for HIL often require that export offtake agreements be secured by the potential buyer prior to the release of funds. The sale process has been further complicated by a decline in global prices for seaborne thermal and metallurgical coal, causing potential buyers and their funders to revisit the assumptions used in their economic modelling.

The potential buyer has disclosed the identity of the funder to the Company and, at the funder's request, the buyer was requested to conduct confirmatory drilling of two surface boreholes to confirm the depth of the coal in the area where the portal for the underground access is planned. This drilling was completed during October 2019 and confirmed the presence of the coal as per the "Competent Person's Report on the Coal Resources of the Holfontein Project", dated 9 May 2018. The Company reasonably expects to execute the Sale of Shares and Claims Agreement (the "**Sale Agreement**") within the next two months. The key condition precedent in the Sale Agreement is the Section 11 Consent under the MPRDA and the Company reasonably expects, given that this is a simple sale of shares and not a transfer of a mineral right, that such consent will be granted within 6 months of the execution of the Sale Agreement. Upon receipt of Section 11 Consent, the transaction will be completed.

The EIA/EMP Amendment Process

The full Environmental Impact Assessment (“**EIA**”) for the project requires amendment to reflect the positive changes regarding tailings disposal and an application to the Department of Mineral Resources will lead to subsequent amendment of the Mining Works Program and Environmental Authorization that form part of the Evander Project Mining Right held by TGS.

The Company already has an Environmental Authorisation for the dewatering and construction phase of the Evander Project. In addition, the Water Use Licence (“**WUL**”) for abstraction, transport and disposal of excess mine water during the dewatering and construction phase has also been issued.

The amendment of the EIA/Environmental Management Programme (“**EMP**”) for the Evander Project relates to the production phase which will start approximately 6 years after commencement and, as such, is not on the critical path for project construction.

In light of the decision to stay further work on the Evander Project contract, a decision was taken earlier this year to postpone the commencement of the environmental specialist studies. The studies will be initiated once the timing of the Evander Project construction phase has been finalised.

The Jeanette Project

On 28 April 2018, the Company entered into a Service Contract with MCCI, a subsidiary of Metallurgical Corporation of China Limited, to carry out the Feasibility Study for the Jeanette Project. During the period under review, the Company and MCCI have finalized the economic assessment and the Feasibility Study results have been released and the announcement in this regard has also been published on 30 August 2019.

As stated in the announcement dated 30 August 2019, it was intended that MCCI would participate in the development of the Jeanette Project on an Engineering, Procurement and Construction (“**EPC**”) basis and would also assist the Company with securing debt financing and equity investment. Thereafter, the Company and MCCI will prepare draft commercial terms with the objective of entering into the EPC contract and then engage with potential equity investors and Chinese banks to arrange equity and debt financing for Jeanette Project. The Company is in the progress of discussing the draft commercial terms of the EPC contract with MCCI and further announcements in this regard will be made in due course.

The construction phase of the Jeanette Project will require a WUL for the abstraction, storage and disposal of excess mine water and this will be applied for in due course. The application for an Integrated WUL for the production phase of the Jeanette Project will only be submitted on completion of the final project engineering design in terms of the EPC Contract.

EMPLOYEE AND REMUNERATION POLICY

As at 30 September 2019, the total number of employees, excluding workers under exclusive sub-contracting arrangement, of the Group was 29 (31 March 2019: approximately 50). The Group's remuneration policy is primarily based on the prevailing market conditions, working experience and the performance of the respective companies and individuals concerned. Employee benefits include mandatory provident fund (pension) and share options scheme, etc.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company had complied with the code provisions set out in the Corporate Governance Code ("**CG Code**") as contained in Appendix 14 to the Listing Rules during the six months ended 30 September 2019, save as the deviation from code provision A.4.1 which is explained as follows:

- Under code provision A.4.1 of the CG Code, 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 bye-laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. 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 2019.

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 possess inside information of the Company.

No incident of non-compliance of the Written Guidelines by the relevant employees were noted by the Company.

AUDIT COMMITTEE

The audit committee, which comprises three independent non-executive directors of the Company, has discussed with the management of the Company on the accounting principles and practices adopted by the Group, internal controls, risk management and financial reporting matters. The audit committee has also reviewed and discussed with the management about the unaudited consolidated financial statements for the six months ended 30 September 2019.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S 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.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is available for viewing on the website of the Stock Exchange 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, 29 November 2019

As at the date of this announcement, the Executive Directors of the Company are Ms. Cheung Pak Sum (Co-chairman), Mr. Christiaan Rudolph de Wet de Bruin (Co-chairman), Mr. Neil Andrew Herrick (Chief Executive Officer) and Mr. Phen Chun Shing, Vincent; and the Independent Non-executive Directors of the Company are Mr. Chong Man Hung Jeffrey, Mr. Li Kam Chung and Mr. Tsui Pang.